



**RESTRUCTURING ASSISTANCE AND POLICY ADVICE FOR THE  
MINISTRY OF AGRICULTURE AND FOOD OF GEORGIA**

Contract No. LAG-I-00-98-00026-00, Task Order 804  
BASIS IQC

**PHASE II  
SIXTH REPORT  
JANUARY 1-MARCH 31, 2003**

**July 18, 2006**

## **MISSION**

To assist the transformation of the Ministry of Agriculture and Food of Georgia into an effective, honest agency that more effectively facilitates increasing the welfare of the country's agri-food producers and consumers.

## **MAJOR ACHIEVEMENTS DURING THE REPORTING PERIOD**

In January-March, 2003, the Restructuring Assistance and Policy Advice Project:

- Had its earlier investigative efforts rewarded when the Supreme Court of Georgia found that the MAF was not liable in the largest single claim against it resulting from the Counterpart Fund matters, the "Agroinformi" case
- Continued support of the MAF in defending its actions in firing the former head of the Phytosanitary Quarantine Inspection as the Supreme Court found against the individual in one of his two active suits
- Prepared a comparison of agricultural and food sector taxation across Georgia and its neighbors
- Completed work on the agriculture section of the National Program on Legislative Harmonization with the European Union
- Designed and completed basic legal drafting for a radical simplification of the seed and selection agencies of the MAF
- Carried out extensive field examinations of the use of MAF resources
- Provided continuing policy advice to the Minister and his deputies on a wide variety of issues
- Provided legal drafting and legal analysis assistance to the Ministry
- Continued development of the Ministry's public information activities, including a daily survey of the local press on agricultural-related issues and periodic surveys of new agricultural-related legislation
- Provided information, translation assistance, advice and "good offices" for the Ministry in dealing with many international donors and programs

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Agriculture may now be the most important economic activity in Georgia, estimated to provide up to 30 percent of the country's Gross Domestic Product. As much as 60 percent of the population survive through agricultural work. Georgia's land reform legislation allowed most rural residents to expand their plots from what they held during the Soviet era, so that a household's land holdings now average about 1.25 hectares, in the process breaking up and physically dividing many of the former large farms. Those small plots provide subsistence for most of the population. Input-supply, service and processing capacities essentially disintegrated, as the command economy and enormous captive market for which they were constructed ceased to exist. They have yet to be replaced by functionally equivalent economic actors suited to the new situation. The country does not produce enough basic foodstuffs to meet its own needs, which should be no disaster given the country's potential to produce other, higher-value and value-added agricultural products, but agricultural exports have been limited and difficult because of lack of knowledge about possible markets and their requirements, an underdeveloped banking and transportation infrastructure, and administrative barriers to movement. The Georgian government is extremely fragmented and the Ministry of Agriculture and Food, even under leadership from a post-Soviet generation, has not yet completely shaken off its Soviet past.

The direct mission of the "Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia" Project (RAPA) is to assist the transformation of the Ministry of Agriculture and Food of Georgia into an effective, honest agency that more effectively facilitates increasing the welfare of the country's agri-food producers and consumers.

Like any policy-oriented effort, the project deals with a wide variety of issues simultaneously. This report is therefore equally wide-ranging. The next four major subsections, describing the genesis of the project, offering some reflections on the problem of "policy" in a post-Soviet state, presenting the idea of an agricultural policy unit and summarizing the project's diagnosis of the weaknesses of the Ministry of Agriculture and Food, are largely restatements of previous submissions. The following long section considers in turn work to counter corruption, policy analysis, organizational restructuring and other activities during the quarter being reported. The text concludes with a discussion of current management and strategy issues and a brief consideration of upcoming work. A series of annexes include materials related to particular topics covered in the main text, as well as some summary data on project work during the reporting period. Although all the items in the annexes are important, it is unlikely that any reader will find them all of equal interest. Not all annexes are included in the Georgian version of this report prepared for the Ministry, as many annexes are translations of Georgian documents.

## **PROJECT BACKGROUND**

The present Ministry of Agriculture and Food of Georgia (MAF), chartered by a Presidential decree of November 17, 1997, is the latest incarnation of an institution which has existed, in one form or another, throughout almost the whole Soviet and post-Soviet period, and which has always been primarily concerned with directing agricultural production. The Ministry is organized hierarchically with smaller versions of its major departments located in each district of the country. As a consequence of the breakup of the Soviet Union and, in Georgia, the extensive civil conflicts that accompanied and followed that disintegration, however, the Ministry has largely lost control of "its" local units.

The USAID-supported RAPA responds to Georgian Minister of Agriculture and Food David Kirvalidze's October 2000 letter, distributed to USAID, the IMF, the World Bank, the European Commission and others requesting donor support for a "temporary agricultural policy analysis group."

The project's three primary activities were specified in its original task order and by the USAID/Caucasus Mission Director at project inception. A fourth task has followed in practice from the first three:

- Providing a policy advisor who can build a close working relationship with the Minister
- Supporting reform of the Ministry as an agency of the Government of Georgia to make it useful and effective in a market economy
- Carrying out analytical and other work to ensure that the MAF receives "best practice" advice about both its policy and institutional form
- Supporting Ministry efforts to root out existing corruption and prevent its recurrence

The RAPA project, organized as a task order to Development Alternatives, Incorporated (DAI) under the USAID BASIS indefinite quantity contract, began in December 2000 when the USAID mission arranged an initial two-week visit to Georgia for the proposed expatriate senior advisor and began its formal Phase I operations on February 3, 2001. Initially contracted for four months, a contract modification for a Phase II of the activity through August 28, 2002, was completed by USAID on August 27, 2001.

On April 25, 2002, Minister of Agriculture and Food Kirvalidze, in a letter to the USAID Caucasus Mission Director, requested that USAID extend support for the project for a further two years. The Mission then prepared a new Statement of Work for an extended Phase II of the activity which it released in July, 2002. DAI responded with a technical proposal covering the period up to December 31, 2003. This proposal was accepted, subject to the completion of a set of benchmarks, and a contract modification extending through the end of 2003 was issued by USAID on August 26, 2002. The USAID Cognizant Technical Officer accepted the benchmarks on October 31, 2002, within the time period required by the Contract modification. The current end date for the activity is December 31, 2003.

### **POLICY AND INSTITUTIONS**

The RAPA is, by definition "working with the government." In a situation where the Georgian government is often at best ineffective and not infrequently actively harming its citizens' clear collective interests, that is not always popular nor easy. However, Georgia is an independent country with an internationally-recognized government. Foreign assistance is offered under a bilateral treaty that assumes the government is sovereign. So, if there are issues of policy that are government concerns—and world practice shows that there are many such—there is no real alternative to dealing with the government. That is not, of course, to say that a donor should deal only or primarily with the government, but it is the natural counterpart of this particular technical assistance effort.

In any government, policy making is a process of balancing many interests and deciding which are to have priority. Whether considered as a feedback loop, a continuous set of transactions between governors and governed, or a structure in which government sets limits and civil society acts within those limits, governmental policy making always requires hard

choices. Georgian governmental institutions in the Soviet era never had that fundamental responsibility, existing only as local agencies of the imperial power, charged with implementing decisions made elsewhere. Georgian officials and politicians continue to see their problem more as one of policy implementation than of policy-making. The very weakness of Georgia's institutions makes hard choices harder because of lack of knowledge and information and the capture of many government agencies by those interests the agencies should be regulating and balancing against other social concerns. The Georgian government lost any possible ability to manage all of society as soon as it lost free access to the resources of the rest of the former Soviet Union. But the government has not yet really ceased trying to manage everything. Georgian government officials at all levels and of all ages are uncomfortable with freely associating, unregulated groups in "civil society." Moreover, the government is only slowly developing the new capacities that will allow Georgia to function effectively in an open international system. New governmental functions require fundamental structural change.

For a moment in 1990 and 1991, it appeared that the transformation of former Soviet-type economies and polities into market-oriented democracies could be done fairly quickly, and, in large part, with "the stroke of a pen." Whether or not that was ever really true is now a matter for historians to debate, but the fact is that thirteen years after Georgia declared its independence, and twelve years after it took it, Georgia is still far from having a functioning set of market and democratic institutions. As a result, grand policy prescriptions have come to be more and more distrusted among donors and residents in and donors to the region. No one still expects that economies and institutional arrangements developed over several generations can be quickly and easily transformed.

Attempts simply to translate Western market institutions and laws into post-Soviet states have too often failed or led to serious unintended consequences. Reasonably enough, consultants and foreign officials have tended to push for the institutional framework with which they are most familiar and which they know works—arrangements like those in their own home countries. Because many often incompatible, specific institutional arrangements exist in the various countries offering advice, however, different consultants have emphasized various, often equally incompatible, institutional solutions to a transitional problem and occasionally have even come into conflict with one another over the "right" institutional and policy framework. This conflict of models is particularly severe in agriculture. Because both the European Union and the United States have extraordinarily productive agriculture and food systems in which well-organized but highly competitive producers often turn to government regulation as a way to mitigate competitive pressures and absorb excess production, and because experts from either side of the Atlantic tend to take their own institutional framework for granted—and reflexively defend it when challenged—there have been especially many attempts to translate what turned out to be questionably applicable institutional frameworks for agriculture to the independent states of the former Soviet Union, including Georgia.

A model of policy reform that presumes that "if we just tell them how they should do it, the job is done" assumes away the problem it is trying to fix. Recommendations that Georgia adopt institutional models that work somewhere else presume that the current political structures in Georgia are strong enough to adopt those changes and actually implement them. Getting real change on the ground by government action is difficult enough in the most

developed Western systems<sup>1</sup>; it is especially hard in a country like Georgia, whose institutions developed not for “policy-making” but as transmission belts for decisions made elsewhere. The Georgian system continues to be based on the assumption—precisely parallel to the donor assumption about “stroke of a pen” change noted above—that giving an order at the top is equivalent to having a change made in everyday life. This false assumption was central to the collapse of the Soviet Union, and it is no more correct in a much less capable post-Soviet state. The leaders of the institutions, both those identified as progressive and receptive and those often considered incorrigible, know very well that their system is not working as it should. But they neither have clear ideas about how to change their institutions to more effectively accomplish their ends, nor the resources—financial, institutional, or political—with which to do so. The purpose of the RAPA is to assist in developing those ideas and creating and mobilizing the needed resources.

### THE ROLE OF AN AGRICULTURAL POLICY UNIT

The Minister’s original request to donors asked for help in establishing an agricultural policy unit of a sort that has been funded by various donors in many of the transition economies of Central Europe and the former Soviet Union. The most successful APU and the model for others is the Agricultural Policy Analysis Unit of the Foundation for Assistance Programs to Agriculture (SAEPR) in Poland which is supported by the World Bank, the European Union and the Polish government. Agricultural policy units are also functioning in Ukraine, Latvia and Bulgaria. Attempts to establish them were made, unsuccessfully, in the Russian Federation by the EBRD and in Uzbekistan by EU Tacis. One of the three principal recommendations for advancing agricultural sector reform in Georgia made by the CASE analysts led by former Polish Minister of Finance Leszek Balcerowicz in the spring of 2001 was for the establishment of such a unit in the Georgian MAF.

Agricultural Policy Units:

- help develop and implement market-oriented agricultural policy;
- train their staff in Western analytic techniques and approaches;
- serve as points of contact between donors and recipients; and
- act as catalysts in transforming the structure and functions of government agencies concerned with agricultural policy.

Successful agricultural policy units such as the Polish SAEPR drive overall agricultural reform in their country. Like all public policy activities, they blend quality research, data collection and analysis with policy advice and advocacy that flows organically from their attempts to carefully and critically understand the real situation and issues in the sector, to develop policy alternatives to address those issues, and to dispassionately present the costs and benefits of those alternatives to policy-makers. Although initiated and supported by donors, APUs are locally-run and managed, and do not work if they do not eventually acquire value and importance in the eyes of the country’s agricultural policy-makers. The SAEPR was eventually institutionalized in the form of a foundation incorporated in Poland supported

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<sup>1</sup> The classic commentary on this problem is Jeffrey L. Pressman and Aaron Wildavsky, *Implementation: Or why great ideas in Washington often fail miserably in Oakland* (Berkeley and Los Angeles: University of California Press, 1984).

by funds from a variety of domestic and international sources. Its work, and the people it trained, have played a key role in moving Poland toward the European Union.

One goal of the RAPA is to create a similar capacity within the Ministry of Agriculture and Food of Georgia. As with the SAEPR in the comparatively much wealthier Poland, the policy unit is likely to need some donor support for a considerable period of time. However, also like the SAEPR or its present Ukrainian cousin a relatively low level of support from a variety of international and domestic sources can suffice to create a catalyst for many beneficial changes. That support can most usefully come, as it has in both those other cases, from shifting coalitions of donors and a variety of sources.

A well-functioning APU will multiply the effectiveness of pressure from outside the government from policy change. Such pressure from civil society is critical if better policy is to be developed and implemented. Yet an entrepreneur or a business association is most deeply concerned with immediate policy problems encountered in trying to do business. So such “demand driven” policy reform is likely to be narrowly focused at the immediate objective of the businesses concerned, and in a weak regulatory environment may actually run counter to good policy by furthering too-specific goals. “Demand-driven” policy also tends to be reactive. In a poorly-functioning market economy like Georgia businesses are often too busy trying to survive to do much systematic thinking about their future, nor do they often have the time and resources to stay abreast of issues that do not obviously directly concern them. A well functioning APU can help to alert both the Georgian government and the private sector to potential policy problems before they become real constraints to economic activity.

In Georgia, policy advice must be complemented with organizational change. Making the particular institution of the Ministry of Agriculture and Food of Georgia function as a policy-making and policy-implementing agency that assists economic actors in the agri-food sector to prosper is, therefore, an equally important aim of the RAPA project. An organization is a set of structures and functions. Functions are defined by policy goals. Therefore, the RAPA project must work simultaneously to assist the Ministry to define clear policy goals and to develop and put into place structures capable of supporting those policies. Policy reform within the Ministry cannot work without pressure from outside, from the Ministry’s various constituencies, for change. However, pressure from society will become mere lobbying of special interests unless the Ministry is systematically reformed to become an institution strong enough to carry out policy which is more than the sum of lobbyists’ immediate concerns. Nor can reform in one Ministry work unless it is supported at critical points in the government and the donor community. Thus the RAPA project is part of a broader effort to reform both the economic sector of agriculture and food and Georgian public administration which simultaneously can help the private sector and civil society develop.

### **STRATEGY FOR MINISTRY REFORM**

Despite—or because of—its size and complexity, the MAF is a weak institution. It has little policy or implementation capacity, although the tasks assigned it by the government and performed by its analogues in market economies are many and important. Therefore, the task of reforming the MAF is to help it develop the policy resources to become more effective.

Because the MAF is a sectoral Ministry, not a functional one, its difficulties can only be resolved by many coordinated actions. No single change or remedy can fundamentally

reform the Ministry in the way that a similar drastic alteration might affect the operations of a functional agency such as the Ministry of Tax Revenues or the Customs Service. While it might be easier simply to eliminate the present Ministry entirely and start from scratch, the MAF is what it is because a web of laws, institutional histories and political requirements make it so. For good or ill, as with all the Georgian government, institutional strengthening and capacity building must begin with the organizations that exist. Moreover, there are some things that the MAF is supposed to do, such as dealing with disease and pests, that are everywhere taken to be largely government functions. Those functions are not, despite the existence of MAF units that are supposed to carry them out, being done very effectively in Georgia at present. However, if the MAF is not reformed to have the capacity to carry out those activities, some other part of the Georgian government will have to take them on. Since there is no evidence that the MAF is less competent than other parts of the government, and there is expressed willingness by the MAF management to reform and build capacity, it is sensible to work with it.

The Ministry of Agriculture and Food of Georgia suffers from a number of underlying problems. The project's work is beginning to counter many of these weaknesses, but they still must be kept in mind.

1. The MAF has been a Soviet-style organization operating in a Soviet-type government. That is, missions, procedures and mindsets have remained those of the Soviet command economy. Moreover, employees have continued to behave in Soviet ways, hoarding information, failing to report fully and truthfully to their superiors, and generally not acting as a cohesive organization with a common mission—and common threats and possible penalties (i.e., unemployment) if the organization's core missions are not reasonably well performed.
2. Until recently the MAF has had very weak management and no effective internal controls. The Ministry has continued to operate as part of a single command-economy structure in which organization boundaries have been very fluid and have had little meaning. To the extent they existed, those management checks and balances used to be provided by the parallel organization of the Communist Party, and no new procedures or institutions have yet evolved.
3. The Ministry has been almost entirely irrelevant to the political, administrative, and governmental needs of a successful market economy. Most of the work the MAF has done is not done at all, or is performed by the private sector or other political bodies, in developed market economies. Much of the basic work of ministries of agriculture in OECD countries, particularly market development, general research and data collection and dissemination, and agricultural extension, has not been done at all by the present MAF.
4. The MAF possesses little systematic information about its sector. In this regard, it is probably worse off than any other post-Soviet Ministry of Agriculture. Nor does it possess a culture which values systematic, consistent and careful data or the research skills needed to generate such data and draw policy conclusions. As a result, it is very poorly equipped to serve its clients, whether agricultural producers or consumers, in ways that they would be likely to see as valuable.

5. The MAF's capacity to absorb donor assistance usefully, or even to track it properly, has been overwhelmed. Almost every donor project that has been implemented in cooperation with the MAF since Georgia regained its independence has been under- or mismanaged in such a way that the present Ministry leadership identifies it as a problem, in some cases involving significant legal and financial liabilities for the MAF and the Government of Georgia. While the MAF has now largely dealt with the most explosive of these problems, those stemming from the EU TACIS RARP, more efforts are required to ensure that the continuing quest for resources from donors—a quest which the MAF must inevitably pursue—does not create new difficulties akin to the ones that have now been cleaned up.
6. As a result of these conditions, until recently the present Ministry leadership has been almost entirely occupied in trying to cope with the mess they had inherited, and so unable to concentrate on thinking about what they should be doing, redesigning the Ministry's institutions, or providing better service to their clients.

The assistance provided seeks to help the Minister define what the MAF should do and how it fits into government and the society as a whole, how the MAF should look as an institution at the end of the process of reform and how to achieve that institutional transformation. As manifold donor studies, and the review of comparative experience commissioned for this project, make clear, there are many ways of organizing and structuring a Ministry of Agriculture to get the basic tasks done reasonably well. Institutional details are usually the results of particular history. The transformation of the MAF is equally path-dependent, and therefore there is no reason to think that what emerges will look just like any particular OECD-country model. There are many institutional approaches to such issues as food safety in the developed countries. But if there is considerable disagreement among OECD country analysts on the precise institutional structure they prefer, there is equally great agreement on the basic functions government agencies should and do perform, including the general activities of Ministries of Agriculture.<sup>2</sup>

The RAPA project seeks to maintain Georgian ownership of the restructuring activities and their results while insisting that real change is needed. This requires careful education of the MAF management and coalition-building within the Ministry, as well as close attention to the complex and shifting political and economic situation in which the MAF operates. Successfully defining new structures also requires that new functions be formulated and understood by the Georgian side. Thus Ministry restructuring, to be effective, must be accompanied by policy analysis and advice.

The project relies on local employees to do the restructuring work. No outside consultant, no matter how skilled, can match intelligent, motivated Georgian citizens' knowledge of, and ability to work with, the MAF. Transforming and strengthening the MAF requires painstaking day-to-day work with and within it. The alternative to this approach could only be to create another pile of reports explaining how things ought to be done. There are very many, often very good, such documents already, and the project collection of them continues to grow. But none of those reports can answer the inevitable objection from even the most thoughtful and committed Georgian policy-makers: "Yes, I know it would be better to do

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<sup>2</sup> The first policy note prepared for the Minister in phase I of the RAPA outlined the usual functions of Ministries of Agriculture in OECD countries. A modified version of this note was incorporated into the Phase II Extension Technical Proposal accepted by USAID/Caucasus in August 2002. See also the survey of experience of other nations' agriculture ministries prepared earlier in this project.

things as you recommend, but how can I become capable of doing things that way?" The RAPA project seeks to help the MAF answer that question. In doing so, it builds the capacity of both the institution and its own local staff.

### **ACTIVITIES DURING THE REPORTING PERIOD**

The following sections of this report describe principal activities during the reporting period in more detail, discussing in turn anti-corruption and legal work, policy analysis, ministry restructuring, the work of the MAF Internal Control Unit, and other RAPA activities. Annex 1 shows project staffing at the end of the period. Annex 2 summarizes the status of the benchmarks required in the Phase II extension submission as of March 31, 2003. Annex 3 is the MAF organization chart as of the end of the period.

#### **Anti-corruption and legal assistance**

Systematic work to assist the MAF to resolve the legal and accounting mess inherited by Minister Kirvalidze from his predecessor has been completed. However, during this reporting period the legal opinion and analysis of the tangles in the budgetary part of the Counterpart Fund created from European Union monetized commodity funds was formally submitted to the Prosecutor's Office with a request for legal action to be taken. (The report had been transmitted to the Anti-Corruption Commission of Georgia, which has only advisory, not prosecutorial, powers, last year.)

Legal assistance to handle the leftovers of these cases and other matters continues, however (see Annex 4). Where appropriate, the MAF has sought to collect on the Counterpart Fund matters. However, most of the money has run into the sand through a network of shell companies with similar names, irresponsible management, and, ultimately, no assets. Since the cases involved government fund, it is legally obliged to pursue recovery so far it can. Therefore, the MAF has been working with the Tbilisi City Judgment Execution Service to try to obtain enforcement of previous judgments. RAPA project's senior attorney, Mamuka Matiashvili accompanied MAF legal department members at several meetings with the Tbilisi City Judgment Execution Service to follow up on these efforts. It appears, however, that little or nothing has been recovered.

During the quarter, the MAF finally won the largest single case stemming from the Counterpart Fund. Ltd "Agroinformi" was created from a MAF department in 1997. At the Order of then Minister Bakur Gulua, funds from the Counterpart Fund were transferred to "Agroinformi" for subsequent payment to TV-7 to produce TV shows about agriculture. The Minister's order promised that more money would be forthcoming later. Agroinformi, which acted throughout as a part of the MAF despite its "private" status, eventually judged that TV-7 had not fulfilled its obligations, but missed deadlines in notifying the Company. TV-7 had borrowed money from a bank in the meantime on the strength of Gulua's order. When Agroinformi refused to pay the balance, TV-7 sued for "its" cash. RAPA lawyers think that Gulua's original order passing funds through Agroinformi to a third party was illegal. Had the contracts between MAF and Agroinformi and Agroinformi and TV-7 been properly drawn and properly monitored, the mess could never have occurred. However, they were not, and eventually almost all of the MAF Central Apparatus property of any value, including the computers it had originally received from an FAO project, became subject to liens in this case. It may be just coincidence, but it appears that the new TV "Imedi" was announced within days of the end of this case; TV-7 seems to have disappeared from the television.

Without assistance from the RAPA, the facts in this tangled affair would never have been established, and this outcome would not have been achieved.

The MAF finally lost a less important, but frustrating related matter during the quarter. Ltd Gulani had sued the Ministry of State Property Management to maintain its lease rights to the now empty storefront space in the corner of the MAF's ground floor. The RAPA lawyer who assisted the MAF with the handling of this matter, in which it was an interested third party, reports that the MSPM seems not to have been interested in or prepared for this case. It is not entirely clear why Gulani was interested in pursuing this matter, nor why the courts found there was an actionable issue, as the case formally concerns a now-expired rental contract which no one claims Gulani wishes to, or has the right to continue. It appears that Gulani seeks to lay the groundwork for a subsequent suit against MAF which would ask repayment of \$60,000 that it claims to have spent in remodeling and repairing the space. Gulani apparently asserts it is owed this money because, by the negligence of the MAF housekeeping department head, now the head of the "privatized" Ltd "Economic Services" which continues to have a monopoly over all MAF building services, the roof over this space collapsed, ruining the whole investment. At this late date, of course, it is impossible to evaluate the extent or value of the repair work. It appears further that Gulani hopes this amount will eventually be recognized as part of Georgia's official national debt, at which time a friendly tax inspector could use it to offset current tax liabilities.

MAF legal staff, with the support of RAPA attorney Giorgi Misheladze, also successfully concluded litigation in one of the two lawsuits brought by former head of the Phytosanitary Quarantine Inspection head Robert Gurchiani during the quarter. Following an audit, also supported by RAPA, Gurchiani was fired in early 2002. He sued for reinstatement, and then filed an additional suit to have a Presidential Decree and a Ministerial order which had merged the PSQI into the Plant Protection Service—from which it had been separated by former Minister Gulua. As a result of this merger, his former position no longer exists. Because he had refused in writing a MAF offer of an "equivalent" position at a lower title in the merged entity, his case for reinstatement was much weakened by this merger. Therefore the reinstatement case was held up pending the outcome of the challenge to the reorganization. During the quarter the Supreme Court of Georgia found that Gurchiani's case to quash the orders had no merit. The appeals process on the reinstatement case has now resumed. The chances of an outcome favorable to the MAF in that suit are also now improved.

The judge who originally found for Gurchiani's reinstatement suit was removed from the bench during the quarter for accepting considerations in judging another case. It was widely rumored that he had also been given some material benefits by Gurchiani, but, as usual in such cases, this assertion is only rumor. During the quarter Gurchiani also changed his attorney. Ms. Guliko Gabaidze, who had been defending him, apparently at the request of Mr. Gurchiani's wife, who is a judge before whom Ms. Gabaidze often appears, left the case. This had the effect of delaying the appeals on the reinstatement suit.

Two lessons should be drawn from this anticorruption work. First, Georgian law lacks any effective concept of, or mechanism for, holding officials to account for willful errors made in the course of their official duties. A serving official can be investigated by the Chamber of Control or Parliament for almost any offense, but once someone no longer holds office, the only recourse against them is apparently a suit for recovery. How much of the problem is conceptual, in that the Soviet culture did not make a distinction between official duties and

private interests, and how much a legal and enforcement issue, is not clear but worth pursuing in the context of anticorruption efforts broader than this project.

Second, Georgian government agencies lack the systematic personnel training and tracking of affairs that are standard in any western enterprise. No one knew or cared about most of these messes until the new Minister, with the help of the RAPA and the World Bank RAE, went back and reconstructed them. The records had to be constructed from scratch. It might be asserted that this situation is a result of the particular activities of the former minister, and it is certainly true that when the agency head appears to be acting in a corrupt fashion, it is much more difficult for subordinates to act properly. However, other events in the MAF, such as the failure of the chief accountant to notice that some MAF enterprises should be paying VAT, which led to eventual levying of a large fine against MAF by the Tax Department for tax debts of enterprises which were no longer even part of the Ministry, indicates that the problem is broader. That chief accountant retains his job in the MAF and, so far as can be determined, has never received more than a verbal reprimand for that error. The RAPA project's efforts at organizational strengthening and improving internal auditing described later in this report are at least as important as vigorous pursuit of individual issues in cleaning up the MAF.

### **Policy Advice and Analysis**

Policy advice and analysis involves two activities: the development of systematic knowledge about public policy issues, and the provision of advice, often on an urgent basis, on particular matters. While the advice function is very difficult to plan in advance, it is essential for the credibility of any effort to assist public officials and build institutional capacity, since it responds to the recipients' immediate needs. A sense of this ad hoc advice can be gotten by an examination of the papers and translations produced by the project during the quarter (Annex 11 and Annex 12).

#### ***Development of Ministry Strategy***

As noted in previous reports, the Minister has asked that a new “ “Strategy for the sustainable development of agriculture and the food security of Georgia” be prepared. This document, being written by a committee composed of Roman Kakulia of the Ministry's Foreign Department, Tamaz Kunchulia of the Ministry's Strategy and Policy Department, and Sandro Didebulidze of the RAPA under the management of Deputy Minister Giorgi Tkeshelashvili, has gone through multiple drafts and been circulated for comment at least three times. The strategy is to guide Ministry operations for at least the next three years. When finally approved by the Minister the strategy will be forwarded to the President for information and ultimately approval through a presidential decree. Many of the points likely to be in the final version were presented by the Minister to the President and State Minister at a meeting reviewing the results of 2002 and plans for 2003 in the State Chancellery on February 20 (Annex 5).

Since the Ministry has had no real strategy or policy until recently, the RAPA project has approached the development of this strategy as an opportunity to discuss basic issues and educate MAF staff. From this viewpoint, the process of having the MAF and Georgian government define and identify issues and priorities and approaches to them is more important than the precise priorities and approaches. So long as it is reasonably market-oriented and realistic, and so long as it defines priorities, precisely how the strategy turns out is clearly a matter for the Georgians to decide, not the project. Staff members cooperating in this endeavor and commenting on the drafts have been instructed to act in this spirit.

### ***WTO and trade***

Previous reports have noted that Georgia has seemed ill prepared for the responsibilities and opportunities of its membership in the World Trade Organization. In March, 2003, with project support, the MAF organized two events on WTO for staff education. At the first event, Deputy Minister of Foreign Affairs Beruchashvili spoke to senior MAF staff. A week later MAF department heads and other staff met for three days to discuss the impact of WTO on the sector.

The MAF, with project support, is organizing a follow-up seminar specifically on the SPS and TBT agreements to be held in July, 2003. Representatives of the WTO from Geneva are expected, as are Sakstandarti and the Ministry of Health.

Rati Shavgulidze and Sandro Didebulidze of the project staff also worked with MAF staff in initial discussions of possible issues and proposals that might be made by the Georgian Ambassador to the WTO in the course of the negotiations on agriculture that are a part of the ongoing Doha Round.

### ***Barriers to trade***

At a meeting with Minister Kirvalidze, the IMF resident representative asked him to provide information on barriers to trade in agriculture. This request was passed back to the RAPA project, and, after some discussion—the Minister initially thought the request was for information on other countries' barriers to Georgian products—in late-March the MAF called a meeting with major exporters to discuss the matter. A questionnaire prepared by Rati Shavgulidze of the RAPA project was distributed at that meeting. However, no responses to the questionnaire have been received. Mr. Shavgulidze will conduct individual interviews to obtain the data. Although the general barriers to export in Georgia seem well known, initial conversations suggest some surprising findings. For instance, although the issue of corruption at the border should be addressed, it seemed to bother these exporters less, probably because it is predictable and they all have made satisfactory “arrangements.” This investigation will continue.

### ***EU harmonization***

Georgia has also committed itself to harmonizing its agri-food sector grades, standards and regulations with those of the European Union. A Georgian Presidential decree has assigned the Georgian-European Policy and Legal Advice Center (GEPLAC) to coordinate this work. During the reporting period Mr. Giorgi Dangadze of the RAPA staff continued to be actively involved in this effort. Working with a variety of MAF staff, he has been examining, summarizing and preparing brief memos on the European standards as a step towards making appropriate changes in Georgian law. The list of standards and process for doing this were more fully described in the last quarterly report.

At the end of March, 2003, GEPLAC was to present a draft “National Programme of Legislative Harmonization with the European Union” to President Shevardnadze for approval. The program has 14 sections, each to have been prepared by a separate working group. Apparently only four or five of the working groups are actually functioning because of shortages of funds to pay for their operations. Annex 6 presents the “Agricultural Section” of this program, written by Dangadze and MAF staff and edited by a GEPLAC staff member.

### ***MAF work group on WTO and EU harmonization***

To deal with the related issues of WTO and EU harmonization, the MAF combined two, inactive staff tasks forces into a new WTO and EU harmonization work group in January 2003.

### ***Agricultural taxes***

The Minister continues to be particularly concerned with the tax regime faced by the Georgian agricultural and food sector. As noted in the last quarterly report, USAID Caucasus requested the RAPA project to work with the MAF on a study of the taxation regime facing food processors, particularly canneries. Several papers have developed from that work. In particular, a comparison of the regimes facing input suppliers, primary agricultural producers and processors across Armenia, Azerbaijan, Georgia the Russian Federation and Turkey was completed at the end of February. The research indicates that the tax regime on primary agriculture and processing is approximately the same in all those states.

But all of the other states provide some form of concessions for agricultural inputs. The regimes vary greatly in scope, transparency and general availability, and, probably, in effectiveness in achieving the policy ends sought. However, they do provide competitors of Georgia with advantages that Georgian farmers do not enjoy. Work to confirm the findings of this initial survey and develop policy recommendations continues. These findings have already been used to argue for a concessionary regime on input imports into Georgia in discussion in the Parliament.

### ***Codex Alimentarius***

The UN Food and Agriculture Organization and World Health Organization jointly convene the Codex Alimentarius Commission. The Codex Commission composes and agrees on standards for food quality and safety. Codex is the reference point for WTO discussions of these issues and Codex standards are the basis for most OECD countries' legislation on the subject. Although quality and standards are ultimately a matter to be agreed by buyer and seller in each individual transaction, knowing and using the Codex standards in domestic food production will provide Georgia with easier access to developed country markets. Certification that food products meet Codex standards and that their production has been controlled using the "Hazard Analysis and Critical Control Point" (HACCP) methodology is increasingly demanded in international trade and is a necessity if Georgia is to increase its added-value exports of agricultural products. Moreover, as Georgian producers learn the advantage of producing to these standards, they should positively affect the quality and safety of food products sold on the domestic Georgian market as well.

Georgia became a member of the international Codex Alimentarius Commission at the beginning of 1998. However, it appears not to have been very active. At the end of September, 2002, the Ministry formally asked the RAPA project for assistance in translating the principal Codex standards into Georgian. After attempts to locate a Russian translation failed, in consultation with its USAID/Caucasus CTO, the RAPA project agreed to undertake this effort.

The Codex web site ([www.codexalimentarius.net](http://www.codexalimentarius.net)) contains at least 3,000 pages of material. In consultation with interest MAF staff and agencies, Sandro Didebulidze and Natia Lipartiani of the RAPA staff identified about 1100 pages that was most important to be done. The RAPA project's regular translators began to translate that material last fall on a time available basis. As it became clear that was inefficient, the project has contracted with two outside translators to take on the Codex translation exclusively. Their services, being paid for

at the standard market rate for complex translations of US\$ 10 per page, will cost the RAPA about \$12,000. In addition, RAPA staff and Ministry specialists will edit the translation in order to assure the maximum possible quality. At a later point, it may be useful to consider whether or not the translation needs to be legalized under Georgian law in order that it can be officially referred to in legislation, regulations and any future litigation about food standards.

The Ministry's web site ([www.maf.ge](http://www.maf.ge)), which is supported by the RAPA project, includes a link to the Codex web site. From the Georgian-language version of that site, the link goes first to a Georgian translation of the standard or other Codex material if one has been completed and posted. Otherwise, the link connects to the Codex site proper and the English text.

### ***Monitoring of 416(b) grain sales***

The fall 2002 quarterly report included a discussion of the sale of US 416(b) grain in Tbilisi. As of the end of the current quarter, about 7,000 tons remained unsold. The MAF has begun reporting the amount sold in its weekly press bulletin.

### ***Parliamentary liaison***

As much of the present work plan of the project involves legislation, the RAPA project has begun paying greater attention to events in Parliament and in particular forthcoming legislation. As of the end of the quarter, although the amendments to the Veterinary Law that would have stopped privatization of primary veterinary services remained in limbo, the MAF was still actively trying to secure passage of other amendments to that Law and other legislative acts that would legalize the charging of user fees by its various subunits that are now doing so. (These draft laws were annexed to the previous report.) These amendments remain necessary under the Law of Georgia "On the Basis of the Fee System," which stipulates that charging of fees must be specified in law, not by Presidential Decree or executive-branch regulation.

The MAF was also involved in examination of a new Sanitary Code. This Code, proposed by the Ministry of Health, would give the Ministry of Health partial responsibility for the licensing and use of agricultural chemicals, particularly pesticides. The MAF seeks to prevent this, on the grounds that such dual responsibility is administratively confusing and a likely ground for corruption, and that these provisions effectively constitute additional new regulation that is inappropriate under the existing legislation on licensing and regulation.

As the next Parliamentary elections draw closer, the effectiveness of the Parliament of Georgia as a legislative body seems to be declining. It is unfortunate that the issue of government salaries has become a highly politicized issue between pro-Presidential forces and some of his former allies, for instance. It seems likely that this deterioration will continue, unfortunately calling into question the possibility of getting legislation needed for Ministry restructuring and improving the situation in the agri-food sector in question.

## **Ministry Restructuring**

### ***Restructuring Commission***

The Ministry restructuring Commission continues to meet regularly. It has indeed become a useful forum for discussing restructuring activities.

### ***Mission statement***

The benchmarks for the Phase II extension included preparation and confirmation of a brief mission statement for the Ministry. It turned out that getting consensus on this document within the MAF senior management was a good deal more difficult than had been anticipated. However, Order of the Minister number 2-50 March 5, 2003 officially declares that

The major mission of the Ministry of Agriculture and Food of Georgia is protection of the interests of producers and consumers of agricultural produce, to ensure food security and to reduce rural poverty based on the principle of sustainable development.

### ***Salaries, Personnel and Purchasing Departments***

Vazha Tabatadze of the RAPA staff completed a study of the salary issue in Georgian in early December. Unfortunately, the paper was not translated until recently and has not yet been thoroughly revised. He completed a study of the issues of unifying the MAF Personnel Department in February, and is currently working on a similar study of the issues of creating a single “purchasing” (“Tender”) department by analogy to the Personnel Department. Action on these issues will be a high priority for the RAPA project in the next quarter.

### ***MAF standard operating procedures***

Tabatadze and Ketil Shengelia also completed a new draft of the Ministry “by-laws,” its standard operating procedures which are normally confirmed annually, in January. The head of the Minister’s apparatus has had several long conversations with them about the proposed procedural changes. This change in part depends on the development of a better way to track documents in electronic form (most documents are written on a computer somewhere now), which the RAPA project is developing as a superset of its electronic library database. A related problem is the standardization of Georgian fonts. Several different, incompatible codings of Georgian characters are in use in various parts of the government and even within the Ministry. During the quarter the Minister signed an order on standardizing fonts—the only realistic way to manage a changeover, and the RAPA computer specialists are working with the Ministry to ensure that fonts are standardized and documents are properly archived.

### ***Budget, Accounting and Financial Management***

Work to create a modern budgeting system for the MAF, begun by the EC Food Security Program, continues, although less quickly than would be desirable. Because the MAF has not received the FSP funding, or any other, efforts to find financial expedients are continuing. It is very likely that those attempts to survive will, in the long run, create new problems.

The accounting portion of the work has been essentially completed. The MAF Central Apparatus has computerized its bookkeeping using a software package developed by Georgians on the basis of standard Microsoft Access software. Otar Chigladze of the RAPA staff has assisted the bookkeeping office in making the transition.

For most of the quarter Jeko Mchedlishvili of the RAPA project has pursued three tasks to make a more general Management Information System capable not only of accounting for funds expended but also forecasting, planning and budgeting work. This job has also involved using Georgian software, a “manager” package put out by the same firm that makes the bookkeeping product, work with Georgian government accounting standards. This MIS software is designed for monthly financial data. The MAF has operated a budget cycle in

which books are closed only each six months. Such infrequent balancing of accounts was poor practice, but inherited from the Soviet era and so continued.

The budget system that the EC FSP began developing and RAPA has continued is based on balancing expenditures against physical indicators of output in an attempt to measure outputs of the budget-funded targeted programs in relation to their objectives. Use of “physical indicators” makes it possible for the system to show outcomes in simple and easily measured terms: Some of the items that have been identified as indicators for outputs of the targeted programs are the following: hectares irrigated, or hectares drained, kilometers of main canals cleaned, heads of animals vaccinated against particular epizootic disease, hectares treated against a particular pest, hectares of reforested eroded lands etc. The traditional budget format simply distributes a lump sum to each department. But the further distribution and use of funds within the department remained unclear. At best, it might be partly accounted for with accounting information that remained within the Department. Since units like the Amelioration Systems Management and the Veterinary Department account for the greater part of the MAF’s total budget, this old budget system meant that senior management had little or no control over the activities of the major units “subordinate” to them. The budget system being put in place clarified both the responsibility of each particular sub-unit in the overall activity of the department (or the Ministry) and the resources with which it was to perform these tasks. However, developing these indicators and the budget system have required a good deal of time because detailed knowledge of what each department does and is supposed to do is needed. Once this work is completed—as it essentially now is—the next step will be to capture the flows of fees for services—“special revenues” as opposed to special funds—in the MIS.

### ***Changes in MAF units***

During the quarter, the MAF made arrangements to transfer the Scientific Research Center of Biotechnology and the Scientific Center of Technical and Ecological Research, which had been attached to the Ministry, to the Academy of Agricultural Sciences where such research agencies logically belong.

On February 3, 2003, a Presidential Decree approved the transformation of the State Regulatory Department of Grapes and Wine “Samtresti” into a legal entity of public law. This move did and does not seem well-advised to the RAPA project. However, given that a FAO project had helped Samtresti to reorganize itself and write the new Law of Georgia on Grapevines and Wine, that the FRG has just given it a major wine-testing facility, and the pressure to allow it to have its own funds, the change was probably inevitable. However, it remains the RAPA project’s position that although use of the form is understandable, the creation of Legal Entities of Public Law from government bodies is probably a violation of Georgian law and certainly a mistake in terms of public administration and governmental capacity-building.

At the end of the quarter, the MAF restructuring commission was considering the fate of the Main Inspection of Agricultural Machinery, the Agricultural Machinery Testing Station, the Main Administration of Input and Equipment Supply, the Ajara Pastures Administration and the Group to maintain cattle driving trails.

### ***Unification of Inspections/Veterinary Department Reform***

Following a major controversy over amendments to the Veterinary Law in December and January (Annex 7), further work to reform the Veterinary Department has been put on hold because the MAF seems not to consider this a priority and because, pending agreement

between the FSP and the MAF the future funding and structure of the department are not clear.

In mid-March, *akhali taoba* published an article accusing Minister Kirvalidze of corruption in managing the import of meat from India.<sup>3</sup> The article also claimed that Vladimir Gvarjaladze, the country's Chief Veterinary Inspector and Head of the Veterinary Department, formerly First Deputy Minister of Agriculture under Bakur Gulua, was being prevented from doing his job and speaking out by Kirvalidze. As usual, there appeared to be precious little evidence for either of these claims. That evening, following an appearance on a Georgian talk show in which he defended the MAF's position against phoned-in comments from the article's author and other, Deputy Head of the Veterinary Department Levan Ramishvili was attacked and brutally beaten on the street outside his house. His car was stolen and he was hospitalized for a considerable period. At a press conference the next day, Minister Kirvalidze stated that the assault took place because Ramishvili supported reform of the Veterinary Department. Ramishvili was the principal author of the Department's own plan to reform itself that would have privatized primary veterinary services while leaving everything else essentially as it was (see previous RAPA reports). Minister Kirvalidze's inference seems reasonable, and these events perhaps help to explain why the Ministry was not more actively concerned with unification and reform of the major inspections during the quarter.

### ***Selection Inspections***

Issues of seeds and seedlings are principally regulated by two Laws of Georgia, "On Protection of Selection Achievements" (1996) and "On distribution of quality seeds and hybrid seed and planting materials" (1999). The latter legislation is asserted to be in accord with the standards of UPOV (see below) and the intellectual property requirements of the World Trade Organization as set forth in the WTO TRIPS agreement. In fact, the laws, particularly the 1999 one, are poorly drafted and also appear to be in conflict both with one another and current practice.

The Ministry of Agriculture and Food currently has four units that deal with all kinds of seeds and seedlings. These agencies are:

- Sakjishcentri (Center to Defend the Rights of Plant Variety Breeders) – coordinates the testing and registration process for new varieties
- Selection Achievements Testing and Protection Inspection – carries out tests on new varieties
- Seed and Planting Materials Quality Inspection – insures that seed already in general use is in fact as claimed and of good quality
- Plant Protection Service – External Phytosanitary Quarantine Division inspects all imported plant materials, including seeds and seedlings

A fifth MAF unit, the grapevine and wine regulation department Samtresti, claims the right in its newly drawn charter, relying on the 2002 Law on Grapevines and Wine, to control grapevine seedlings and grafts. The demarcation of authority between the general seed and seedling agencies and Samtresti in wine-grape production is not clear.

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<sup>3</sup> Ani Mirotadze, "How the meat of zebu and buffalo is imported into Georgia: Will Minister Kirvalidze be arrested or not?" *akhali taoba* (March 12, 2003).

The 1999 law also refers to a “Center for Coordinating Protection of Agricultural Crop Genetics.” No further information has been found about this body.

“Sakjishcentri” is a legal entity of public law, giving it the ability to require payment for registration services. Its most recent charter, confirmed in 2001, states that

The activities of “Sakjishcentri” are not connected with entrepreneurship.  
“Sakjishcentri” is not profit-oriented. The incomes of “Sakjishcentri” are used for the fulfillment of its functions, as well as development of the needed material and technical basis.

“Sakjishcentri” has received technical assistance from DFID in designing its procedures, and sought financial support from then-GTZ representative Ekkehard Clemens in 2000. It appears that this request was not granted.

The Seed and Planting Materials Quality Inspection formerly ran a network of seed production stations (farms) throughout the country. Its management continues to try to regain control of those stations, many of which have been, in whole or in part, seized by local authorities and/or their residents and included in land reform programs.<sup>4</sup> Neither the physical condition nor the claimed ownership of those stations is now clear.

Not surprisingly, these MAF units do not work well. Very few new seed and seedling varieties have been registered for use in Georgia in recent years. Georgian farmers lack access to good seed and seedlings and cannot be sure that what they do get is what it is claimed to be. In February, 2003, the Ministry asked the RAPA project to consider, as a matter of urgency, the issue of restructuring those four units. Ministry management indicated that this was even a higher priority than the work on unification of Veterinary, Phytosanitary and Food Quality inspections that the project has been engaged in for some time and which had just occasioned a major conflict. When asked, MAF senior management reported that the urgency on the Selection Inspections was partly seasonal—seeds are of course needed in spring—and partly in response to requests from the SAVE project and USAID that the Memorandum of Understanding on phase II of the SAVE should include a commitment by the MAF to resolve the issue. When queried by RAPA staff, USAID denied that such a condition would be a “make-or-break” issue in the SAVE phase II MoU. However, the MAF management is firm in their belief that this is so. Since a priority for both MAF and USAID is to get phase II of the SAVE into full operation, and since MAF colleagues were adamant that this change in priorities was needed, the RAPA project agreed. In addition, a check of current legislation shows that the annual plan of executive-branch legal drafting includes a new Law on Protection of New Plant Varieties, apparently proposed by Sakjishcentri. Since restructuring these agencies will require legal changes, it is desirable to get the legal proposals need to do so in place before the government requests that law in order to avoid a repetition of the situation concerning the Law on Veterinary Medicine. There is no doubt that, in fact, this is a mess that needs to be cleaned up, even if it involves a somewhat different set of “inspections” than the ones explicitly mentioned in the Phase II extension benchmarks.

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<sup>4</sup> Memorandum from Academician P. Naskhidashvili to David Kirvalidze, number 119/2 (October 9, 2002).

The seed and seedling issue involves at least four issues: intellectual property, general access to the seed, seed quality and truthful description and biodiversity. Balancing these conflicting claims, briefly summarized in the following paragraphs, is the major policy issue here.

Intellectual property. New seed varieties are treated in most countries, and by the WTO, as a kind of invention. They can therefore be registered, or patented, and they may be employed by persons others than the inventor only with his agreement, and usually, payment of a fee. Registration of a new seed variety requires proof that the new variety is truly new and that the new characteristics are inheritable. The testing and registration is governed by the international Union for the Protection of New Varieties, UPOV. The UPOV convention provides that testing and registration of new varieties carried out in one member country should be automatically accepted by other members and even allows one country's variety registration agency to contract with another to carry testing and certification. Since this process is akin to that for issuing patents for other inventions, it is not surprising that in many UPOV countries the testing and registration of new varieties is done by the patent authorities, and in fact UPOV is itself a daughter agency of the World Intellectual Property Organization (WIPO).

General access to the seed. Obviously, high-quality seed and seedlings are one major determinant of the results of the farmers' work. Therefore farmers and the state, insofar as the country as a whole seeks more and better agricultural production, have an interest in ensuring that the seed is generally available. However, this requirement may run counter to the interest of the variety developer, who may find it economically advantageous to restrict access to his invention in order to charge a higher price for it or may not wish it to be available in certain areas at all because of fears of piracy. It also runs counter to the narrow interests of the registration agencies which naturally seek to maximize their income from control of the processes of testing, registration and permission for general dissemination.

Seed quality. Once a variety is approved for commercial use, it may be reproduced and sold. This raises issues of counterfeiting and falsification analogous to those familiar in food products. How can the farmer be certain that what the seed label says really describes the contents of the package? The current Georgian solution to this problem, a solution inherited from the Soviet Union, is to have a special government inspection, the "Seed and Planting Materials Quality Inspection." This agency is supposed to make sure that seeds and planting materials already in commercial use are in fact as they are claimed to be.

Biodiversity and GMOs. New plant varieties have historically been created from old ones. In a world where plant species are dying out at a rapid rate, breeders have been concerned to maintain stocks of as wide a range of plants as possible for production reason as well as "green" motives. However, the emergence of genetically-modified organisms, bioengineered varieties that have particularly desirable traits, has raised a new issue. GMOs are widely believed, particularly in Western Europe, to pose unknown but severe dangers to consumers. More importantly, the use of GMO seeds is likely to mean that these new varieties will "escape" into the wild. Their general adoption could lead to a much greater loss of "natural" plant varieties as farmers come to rely on a narrow range of seed. These health and safety issues are of considerable concern to Georgian consumers, who know that their food safety system does not protect them well, as well as to Georgian plant breeders, who are concerned that Georgia's great natural diversity is threatened. Moreover, an attempt to introduce the Monsanto "New Leaf" potato, which is engineered to be resistant to the Colorado Beetle that

is a grave problem in Georgian potato cultivation, ended in a major scandal a few years ago.<sup>5</sup> That previous bad experience has also raised public concern.<sup>6</sup>

There is no obvious reason for the MAF to have three separate agencies to organize tests, conduct tests, register varieties and certify that they may be used commercially. It appears that this institutional structure developed as a result of personal antipathies and “rent-seeking” behavior rather than from any logical framework, despite the involvement of foreign consultants, and even a 1999 seminar organized by UPOV-WIPO in Tbilisi. Therefore, during the quarter the RAPA project worked to prepare a charter for a single small MAF agency to handle all stages of variety testing and certification for commercial use. It seems most reasonable that actual testing, when it actually needs to be done in Georgia, should be contracted out. After considerable discussion among project staff, it appears that a separate small agency to handle certification of those individuals and farms who will actually do tests may be desirable to limit collusion. Project staff are now working with MAF to develop the appropriate legislation.

Recent discussion of these issues by the MAF reorganization commission indicate that there is considerable concern among MAF senior management over how to prevent continued sale of counterfeit seed. As with food product counterfeiting, this is a difficult issue since purely market-based solutions are not likely to work well. Unless physically harmed, most consumers are not likely to take the trouble to complain or demand restitution and damages through the judicial system as the possible benefit to any individual is small compared to the time and money required to pursue redress. Given the condition of Georgia’s courts, moreover, consumers would be quite rational in doubting that the gain would be worth the effort.

The issue of ensuring the quality of commercial seed, and the emotionally-laden matter of GMO seed, remain to be resolved.

### ***Changes in Plant Protection Service***

As noted earlier, one lawsuit by the former head of the Phytosanitary Quarantine Inspection, Robert Gurchiani, is still in litigation. Moreover, the daily operations of what is now the External Quarantine Inspection of the plant Protection Service still require serious attention, as the Internal Control investigation of complaints about their fees discussed in the previous

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<sup>5</sup> Monsanto’s efforts to introduce the new variety in both Georgia and Ukraine appear to have been poorly managed and explained by the firm, as well as running into official incomprehension and “rent-seeking” behavior. The company eventually stated that it had managed the GMO issue poorly (“Monsanto apologises for arrogance,” *Financial Times*, October 7, 1999). In both Georgia and Ukraine, stocks of New Leaf potatoes were refused registration and permission for use and eventually destroyed (on destruction of Ukrainian stocks, see *Golos Ukrainy*, July 3, 1999). For the arguments against the GMO varieties in Georgia, see *Monsanto’s transgenic potatoes on the loose in Georgia (1996-1998): the need for an international Biosafety Protocol: A report prepared by Greenpeace, August 1998* (Amsterdam: Greenpeace International, 1998). A press release issued by Elkana on the Greenpeace report, in which it collaborated, indicated that ACDI/VOCA was involved in the effort to introduce the Bt-potatoes and that the loan it received from the MAF’s Counterpart Fund was to have been used for that purpose. Some funds generated from the TACIS RARP project were in fact lent to ACDI/VOCA. They were repaid in full and on time—unlike most other funds lent from that facility at the time—although the MAF and ACDI/VOCA are still involved as defendants in a lawsuit on the matter.

<sup>6</sup> The Georgian newspaper *akhali epoka* reported last year (Elza Qetsbaia, “Dangerous products are being imported into Georgia,” November 29, 2002) that the a law was being drafted to regulate GMOs. The official quoted was apparently in the Ministry of Environment. Inquiries in the MAF about such a draft law do not indicate that it is doing anything to regulate GMOs. The MAF draft law on selection achievements is apparently silent on the subject.

report indicates. However, some changes are under way. A new, smaller staff has been approved, and the 28 regional bookkeepers previously employed by the Service have been dismissed.

### ***Local Administrations of Agriculture and Food***

In the summer of 2002, Presidential Shevardnadze issued a decree on improving use of revenue from agricultural land leases. (The national MAF provides model forms for leasing and is responsible for monitoring leases, but the actual arrangements are made by, and the revenues kept by, district administrations.) As a result, the MAF collegium, a formal meeting of senior management with regional officials, considered the problem of improving the transparency of leases and accounting for funds received in the fall of last year. One result of those efforts is renewed attention by the MAF to its district administrations. These agencies are only loosely subordinated to the national Ministry, since their budgets come from local administrations. As noted in earlier reports, the Chamber of Control (and the RAPA project) have suggested that these agencies need to be reduced in size and better coordinated locally. In an attempt to begin this process, the MAF issued an order reasserting its rights over the district administrations on February 14, 2003 (Annex 8). What effect this order will have is not yet clear.

### **Internal Control Unit**

The RAPA project continues to support the work of the MAF Internal Control Unit. Aside from its specific work, this Unit has proven particularly effective simply in showing local officials within and without the MAF apparatus that the Ministry continues to function and is capable of periodically examining the work of its employees.

The Ministry's Internal Control Unit now has three full-time Ministry employees, including the Department head, Mr. Gia Kobakhidze. At the end of the reporting period, five project staff members (Irakli Inashvili, Giorgi Misheladze, Levan Khundadze, Vasili Chigladze, and Irakli Donjashvili) were working with the Department on various projects. When RAPA project staff work with the Internal Control Unit they are assigned to a task by an Order of the Ministry of Agriculture and Food, are accompanied by line employees of the MAF, and are considered to be MAF representatives. (A sample MAF order is given in Annex 10.)

During the quarter, the ICU pursued three major efforts. The third audit, to determine what brandy spirit remains in privatized wineries, had just begun at the end of the reporting period. Depending on the privatization procedure, the spirit may or may not still be state property. That is one issue the ICU is to determine.

**Table 1. Travel by the Internal Control Unit during the Reporting Period**

travel dates	Project staff	Places visited	purpose
December 17, 2002-January 16, 2003	V. Chigladze, Khundadze, Inashvili, Donjashvili	Sagarejo, Dedoplistskaro, Signagi, Gurjaani, Akhmeta, Telavi, Kvareli, Khashuri, Kareli, Gori, Gardabani, Marneuli, Bolnisi, Dmanisi, Dusheti, Kharagauli, Kutaisi, Zestaponi, Samtredia, Tskaltubo, Chokhatauri, Shachkhere, Chkorotsku, Zugdidi, Poti	MAF order 159m December 17, 2002, to Audit use of special funds by Amelioration Department, Veterinary Department and Plant Protection Service in 2002.
February 17-March 13,	V. Chigladze, Khundadze,	See Annex 10.	MAF order 13m, February 14, 2003,

2003	Inashvili, Donjashvili		to Audit use of funds by Department of Livestock Breeding Department, January 1, 2000-January 1, 2003
March 31, 2003-April 13, 2003	V. Chigladze, Khundadze, Inashvili, Donjashvili	Wineries in Kvareli (Village Chikaani), Signagi (Chalaubani), Zestaphoni, Kutaisi, Bolnisi, Bagdadi (Governmental residence), Gurjaani, Sagarejo, Chokhatauri, Telavi, Tbilisi, Vani (Village Zeindari), Kobuleti	MAF 25m, March 28, 2003 to audit state-owned wine, wine materials and brandy residues as well as their balance-sheet value in all wineries

“Special funds” is the Georgian government’s term for donor money, in this case from the Food Security Program. The audit results, even as a dry recitation of facts indicates that local accounting is highly variable. It is not surprising that trip and fuel expenditures are not documented, although this may mask use of that money for other purposes. Payment of VAT by local agencies of the MAF also seems odd, and suggests that, at the very least, the roles of regulator and producer are not yet clearly separated.

The audit of cattle breeding farms was needed before the department could be reorganized, and where appropriate, the breeding farms’ land could be privatized. The results of that audit had not yet been translated as of this report.

### **Other activities**

#### ***Ministry computer network and web site***

The project continues to maintain and assist with the expansion of the MAF computer network, as well as providing systematic training and front-line user support. Between 40 and 50 workstations, including those provided by USAID to the MAF from the former GESP project, are now on the MAF network. Not all MAF staff have yet become used to using electronic communication, but they appear to be learning.

Early in the quarter the entire MAF internal directory was on the Ministry web-site ([www.maf.ge](http://www.maf.ge)). That directory, including name, department, title, phone and (where available) electronic contact information, should help to make the MAF more accessible to the public. The website also contains links to the international Codex Committee and all Codex standards, as well as the Georgian translations of those standards that have been completed and Ministry department charters. The RAPA project is developing simple library software to allow all Ministry orders to be accessible from the website as well. Such public posting of these documents would seem to be required by law and the regulations of the Anti-Corruption Commission, although some mid-level MAF officials seem less than enthusiastic about this effort.

The MAF, like the Georgian government as a whole, has a number of different systems for encoding the Georgian alphabet on computers. These various fonts are not always compatible, and some older documents may soon become unreadable. The RAPA project has been working with the MAF to standardize the fonts used in all its departments. This effort has proven difficult because other Georgian government agencies also have various

incompatible standards. However, work is proceeding. This seemingly mundane effort is actually crucially important to the MAF since without good and accessible records responsible, efficient administration is impossible.

### ***Statistical collection and survey research***

The RAPA project still carries in its work plan a baseline survey. When the project was designed and redesigned, there appeared to be considerable need for a systematic survey of the situation in rural areas focusing on households and their survival strategies. There is no doubt that more needs to be done in this regard. However, in the interim the Humanitarian Affairs Office of USAID/Caucasus sponsored a major field survey to address essentially the questions intended for the planned RAPA survey. It also develops that the continuing UN Food and Agricultural Organization technical assistance to the State Department of Statistics will include a major nationwide agricultural census. The MAF signed off on a draft presidential decree on this census in March 2003. Financing for the census is not yet finalized, although the Food Security Program, the World Food Programme, and USDA have all been approached. While this effort ties in with the project's concern to improve the collection and analysis of information needed for improving policy, this effort, in combination with the recent household survey, means that there is no longer reason for the RAPA project to conduct an independent survey on these issues.

The project also had several discussions with the World Food Programme Tbilisi office. The WFP is concerned to improve its information and forecasting of Georgia's food security. Project staff discussed a possible cooperative project in this regard. The WFP was able to obtain funding from the government of the Federal Republic of Germany for several months of a foreign specialist's time, and it is expected that RAPA staff will cooperate with that individual in improving the availability of data. However, at the end of the quarter this effort was on hold as the expert identified by the WFP had been diverted to Iraq. The WFP was examining resumes from other German national experts but had not yet identified a replacement for this candidate.

### ***English-language training***

To encourage staff development, RAPA has an announced policy of subsidizing English courses for staff. This training effort has required that the interested staff member make a co-payment and has been subject to availability of funds, although the policy was announced to all staff and no one had been turned down. However, sending staff to take individual courses turned out not to be very successful. The level of instruction was highly variable, and the times and locations were often inconvenient.

During the quarter, several members of the local staff contacted Mr. Teimuraz Magalashvili, a philologist with broad experience in English instruction using computer-assisted methods. Based on this staff interest, the project concluded a two-month contract with Mr. Magalashvili to teach English to staff at the project offices. For this purpose, the MAF provided the room formerly occupied by the World Bank Risk Assessment Exercise team, which includes six computer workstations suitable for teaching purposes. The initial trial has been successful.

The MAF has repeatedly asked for project assistance in providing English-language instruction to its employees. Training and development of MAF staff has been a part of all project work plan including the present one, although never systematically pursued because of the sheer number of MAF employees. However, Mr. Magalashvili's methods allow him to teach approximately fifty MAF staff plus about fifteen project employees. Given the success

of the initial trial, at the end of the quarter Mr. Magalashvili was given a regular employment contract to teach English to project staff and MAF employees on a full-time basis, which he is now doing. One MAF deputy minister has already thanked the project for providing instruction which, he said, for the first time gave his employees a real sense that they could develop themselves while working for the MAF. He added that this had considerably improved employee morale and productivity.

#### ***Project inventory and shut-down plan***

As required by the BASIS IQC master contract, the RAPA project submitted an annual inventory of all project property to USAID/Caucasus at the end of January. No acknowledgement of that submission has been received, although one was requested.

The Phase II extension Scope of Work required that a specific close-down plan for the project be submitted six months after the extension was granted. This plan was worked out and submitted during the Quarter as required. The SoW further requires that the project begin to implement that plan once USAID/Caucasus has agreed to it. Although the Cognizant Technical Officer for the project in Tbilisi has verbally acknowledged receipt of the plan and has not as yet indicated any concerns about it, no formal acceptance of the plan has as yet been forthcoming from USAID/Caucasus.

#### ***Information and Outreach***

During the reporting period the project continued to support preparation by the MAF of a daily Georgian-language survey of press coverage of agriculture-related issues. This bulletin is distributed by the MAF to its own staff. The unedited English translation prepared by the RAPA project is intended both to help monitor one important source of information available to the Minister and the MAF staff and to serve as a useful source of information in its own right.

Project outreach coordinator Giga Kurdovanidze continues to work closely with the MAF press office in preparing materials on agriculture for President Shevardnadze's weekly radio interviews, regular press conferences by Ministry senior management, and other actions aimed at developing a dialogue about agricultural policy and informing the interested public about the Ministry's activities.

The project outreach coordinator, working with the Ministry's press office, arranged a presentation for the press and invited guests of the MAF's 2002 results and plans for 2003 that was held at the Tbilisi Marriott hotel on February 13. A list of participants and press is available on request.

At the request of the Minister, the project and the MAF press office organized a visit for Ambassador and Mrs. Miles to the "Georgian Nuts" processing plant in Tbilisi on March 14, 2003.

At the request of the USAID Office of Economic Growth, the project's outreach coordinator also made arrangements for a visit by OEG and SAVE staff to the "Silk House" Museum and Sericulture Center on March 27.

## **OUTSTANDING ISSUES**

### **Cooperation with Food Security Program**

Georgia did not receive European Commission Food Security monies, which fund most of the MAF budget, as scheduled in 2002 and the first quarter of 2003. The temporary absence of resident FSP experts and then issues of Agrobusiness Bank and the kidnapping of Peter Shaw held up funding for most of calendar 2002. A Georgian Ministry of Finance employee gave the European Commission an incorrect account number for a transfer in January 2003, further delaying funding. MAF funds management was made even more difficult. By the end of the quarter these issues had largely been resolved, although the Georgian side was still waiting for a further tranche. Moreover, it appears that although more cash will be provided for the MAF in calendar 2003 than had been expected in 2002, it still will be less than the MAF had hoped. As a result, further discussion of MAF priorities will be needed. The FSP continues to seek a replacement full-time resident expatriate consultant for the MAF.

FSP support for the MAF is still under negotiation. It appears that, because the Ministry of Finance has not been willing to advance funds as agreed (the FSP repays Georgia for funds expended on certain items) the European Commission is rethinking the entire Food Security Program. This is not in any sense the fault of the MAF, but it would work against it. In addition to this difficulty, the draft FSP for the current calendar year includes a number of items which could have the effect of strengthening individual departments that the RAPA has suggested should be merged or abolished. Because under Georgian law the FSP funds must be specifically allocated to a department and a budget line, this is an inevitable difficulty. However, further discussions between the FSP consultant when he is next in Georgia and the RAPA will be needed to make sure that this budgeting does not become an obstacle to further organizational restructuring.

### **PLANNED ACTIVITIES FOR NEXT PERIOD**

Activities for the next quarter follow logically from those described above. Since the issue of seeds and selection has been raised by the MAF as a priority, the RAPA will make every issue to complete work to combine and reform those agencies. That work will probably not be entirely completed as a new law on selection will need to be adopted by Parliament, but everything else should be finished.

The lack of progress on inspection unification is unfortunate. Logic and the project benchmarks require that more be done to advance that issue, especially as several of the agencies involved are clearly doing everything they can to make themselves harder to reorganize and downsize.

Until recently, the MAF management had shown little understanding of or sympathy for the idea of creating a specialized unit to manage all purchasing and tenders. However, there is reason to believe that this situation may change. If so, then it may be reasonable to concentrate on that rather than personnel department reform. The Phase II extension proposal had expected to take the two issues in the opposite order.

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## ANNEX 2. SUMMARY OF BENCHMARK STATUS AS OF MARCH 31, 2003

<b>Restructuring Plan</b>	<b>restruqturizaciis gegma</b>	<b>Status</b>
New Mission statement formally adopted	misiis oficialurad miRebuli axali ganacxadi	done
coordinate plan of reorganization with MAF	reorganizaciis gegmis SeTanxmeba saministrosTan	continuing
coordinate plan with EC FSP	gegmis SeTanxmeba evrokomiisiis sasursaTo usafrTxoebis programasTan	continuing
sign MoU	urTierTgagebis memorandumis xelmowera	outstanding
present plan to donors	gegmis wardgena donorebisaTvis	done
inform Anti-Corruption Commission	gegmis gacnoba antikorufciuli komisiisaTvis	continuing
<b>Legal changes</b>	<b>iuridiuli cvlilebebi</b>	
draft amendments to and new laws and regulations as needed	axali normatiuli da kanonqvemdebare aqtebis Secvlis proeqti	continuing
Ministry adopts orders to implement restructuring	saministro gamoscems brZanebebs restruqturizaciis gansaxorcieleblad	continuing
<b>"Living wage"</b>	<b>xelfasebTan dakavSirebuli problemebi</b>	
prepare issue paper, recommend course(s) of action	mdgomareobis Sefaseba da RonisZiebebis dasaxva	done
discuss issue with donors, MinFin	donorebTan da finansTa saministrosTan gansaxilveli sakiTxebi	continuing
<b>Organizational simplification</b>	<b>organizaciuli gamartiveba</b>	
<b>inspection unification</b>	<b>inspeqciebis gaerTianeba</b>	
veterinary services privatized	veterinaruli momsaxurebis privatizacia	
AID and MAF agree organization chart and statute for unified inspections	USAID da smss Tanxmdebian inspeqciebis gaerTianebis struqturisa da debulebis Taobaze	done
AID and MAF agree job descriptions, staffing for unified inspections	USAID da smss Tanxmdebian samuSao aRwerilobis, gaerTianebuli inspeqciebis axali Semadgenlobis Sesaxeb	in progress
personnel review completed	TanamSromelTa atestaciis dasruleba	in progress
<b>Institutional strengthening</b>	<b>institucionaluri srulyofa</b>	
<b>Task 7.1 Ministry work plan</b>	<b>amocana 7.1. saministros samuSao gegma</b>	
Track fulfillment of departmental work	departamentebis muSaobaze zedamxedveloba	continuing
<b>Task 7.4 Personnel division</b>	<b>amocana 7.4. kadrebis ganyofileba</b>	
Complete manual of hiring and review procedures	TanamSromelTa daqiravebisa da gadasinjvis procedurebis srulyofili instruqciis Sedgena	in progress
AID and MAF agree new organization and statute for personnel division	USAID da smss Tanxmdebian kadrebis ganyofileba axali struqturisa da debulebis Sesaxeb	outstanding
AID and MAF agree job descriptions, staffing for personnel division	USAID amtkicebs kadrebis ganyofilebis samuSao aRwerilobesba da mis axal Semadgenlobas	outstanding
Audit all personnel records	TanamSromlebis piradi saqmeebis Semowmeba	continuing
<b>Task 7.5 Central Apparatus Management Information System (MIS)</b>	<b>amocana 7.5. centraluri aparatis marTvis informaciuli sistema (MIS)</b>	
Design indicators, procedures and customize software	maCveneblebisa da procedurebis dadgena, kompiuteruli programebis aTviseba	continuing
Complete manual documenting procedures, software	procedurebisa da kompiuteruli programebis Sesaxeb srulyofili saxelmZRvanelos momzadeba	outstanding
Workshop for general presentation of system	sistemis zogadi prezentaciis mizniT seminaris mowyoba	outstanding
<b>Task 7.6 Create unified purchasing/procurement system, unit for entire MAF and all subordinate agencies</b>	<b>amocana 7.6. Sesyidvebis unificirebuli sistemis Seqmna, departamenti mTlianad saministrosa da misi daqvemdebarebuli uwyebesbaTvis</b>	
AID and MAF agree organization chart and statute for unit	USAID da smss Tanxmdebian tenderis marTvis departamentis axali struqturisa da debulebis Taobaze	in progress
AID and MAF agree job descriptions, staffing for unit	USAID da smss Tanxmdebian samuSao aRwerilobebisa da misi axali Semadgenlobis Taobaze	outstanding
<b>Training</b>	<b>treiningi</b>	
Computer use (word processing, spreadsheets) for MAF staff	saministros TanamSromlebis swavleba kompiuterSi (Word processing, spreadsheets)	continuing
Accounting, MIS software for MAF accountants	buRalteria, informaciuli marTvis sistemis kompiuteruli programebi TanamSromlebisTvis	continuing

Accounting, MIS for MAF management	buRalteria, informaciuli marTvis sistemis kompiuteruli programebi saministros xelmZrvanelobisaTvis	continuing
<b>Information technology</b>	<b>sainformacio teqnologiebi</b>	
standardize fonts, archive MAF data	fontebis standartizeba, saministros monacemTa arqivireba	in progress
establish MAF support, help system	saministros programebiT mosargebleni	continuing

This table shows only benchmarks active during the quarter. Ones previously accomplished or not yet due to begin are omitted.

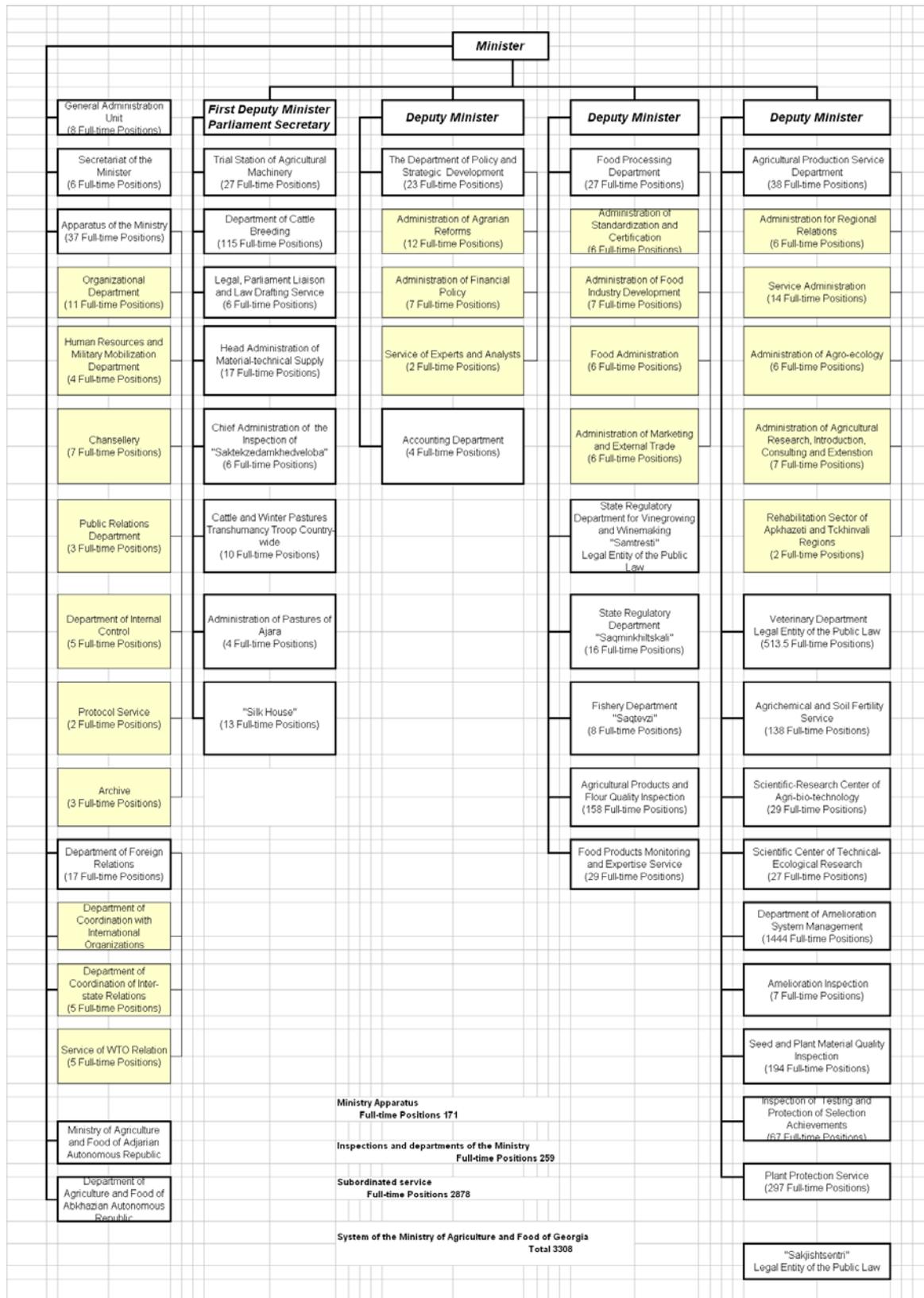
Done – task is completed

Continuing – task in progress, no completion date was specified or possible

In progress – task is being accomplished as of the end of the reporting period

Outstanding – task scheduled during this period but has not yet begun

### ANNEX 3. ORGANIZATION OF THE MINISTRY OF AGRICULTURE AND FOOD AS OF MARCH 31, 2003



#### **ANNEX 4. LEGAL MATTERS INVOLVING THE MINISTRY OF AGRICULTURE AND FOOD AS OF MARCH 31, 2003**

Giorgi Managadze

Many of the outstanding legal matters involving the Ministry derive from the misadventures of the “Counterpart Fund,” a special account set up by the MAF to handle the proceeds from commodity monetization and other donor aid, particularly from the TACIS RARP I and RARP II assistance projects. At the request of the MAF, RAPA project lawyers Eka Otarashvili and Mamuka Matiashvili and project account Otar Chigladze prepared a thorough memorandum examining all the cases arising developing from the Counterpart Fund. That document has been accepted by the MAF and forwarded by the MAF to the Anti-Corruption Commission of Georgia. An English translation is being prepared. Resolution of most of these cases has been pursued by the MAF with legal assistance from the RAPA project.

Additions to the list or items in which new developments are reported since the last review of legal matters are marked with an asterisk (“\*”).

##### **\*Ltd. “Georgian Railway”**

On September 23, 2001 Ltd. “Georgian Railway” sued the MAF and asked the Tbilisi Krtsanisi-Mtatsminda District Court to require the Ministry to pay 26,359 lari for the transport of 1000 tons of diesel fuel that had been granted to the MAF by Azerbaijan as humanitarian aid.

Since the decree of the President of Georgia number 1234, issued on November 22, 2000, ordered the Ministry of Finance to pay the transport costs, the Ministry of Agriculture and Food was a third party to the suit.

The court ruled on February 22, 2002, that the Ministry of Finance must pay the debt.

The Ministry of Finance has appealed in the Tbilisi Court of Appeals. A hearing was held in mid-November, but no judgment was then rendered.

##### **\*Ltd “Gulani”**

On November 1, 1997, Ltd. “Gulani” signed a lease agreement on 300 square meters of ground-floor office space in the main building of the Ministry of Agriculture and Food at 41 Kostava Street in Tbilisi. The lease was to run for five years, until November 1, 2002. The Treasury Enterprise “Economic Services” (later reorganized into the Ltd. “Economic Services”), the MAF’s building-services parastatal executed the lease for the government.

It is claimed privately by some sources in the MAF that the space was to be renovated for sublease to the “Agrobusiness Bank of Georgia” and that the transactions were all done at the explicit direction of the former Minister. In any event, Gulani now claims that it invested approximately 60,000 lari (then approximately equivalent to US\$60,000) in repair of the mezzanine part of the space. However, “Economic Services” was, “Gulani” further claims, negligent in that it failed to fix the roof over the space. As a result, the repairs were ruined by rain damage when the roof collapsed into the space.

Ltd. "Gulani" last paid the agreed rent in April, 1999 and ceased to actively use the space at that time. The MAF therefore considered that the lease was broken as of June 1, 1999 and unilaterally annulled it.

In the interim, the Ministry of State Property Management took over direct responsibility for managing all state property that is leased out for commercial purposes. In February 2002, the MSPM reclaimed its rights to directly manage all parastatal limited-liability companies, and direct responsibility for Ltd. "Economic Services" therefore passed to it as well.

Since the space formerly occupied by Ltd. "Gulani" was then considered vacant, MAF sent a written request to the MSPM to re-lease the space. MSPM duly issued an instruction to advertise the premises for rent and to invite potential tenants to apply to lease it.

Ltd. "Gulani" sued the MSPM to have the MSPM instruction on re-leasing the space annulled, claiming that its lease remains in force. The MAF is named as a third party in the suit.

The case was first discussed in the Vake-Saburtalo District Court, then, as decided by the judicial collegium, was submitted to the Collegium on administrative law and tax affairs of the Tbilisi Circuit Court and scheduled for hearing on August 8, 2002. Attorneys for the MAF, MPSM and the RAPA project met in advance of that scheduled hearing date to review the matter and coordinate their actions so the Ministry of State Property Management was informed in advance of the court date. However, no representative of the MPSM appeared at the time and place of the scheduled hearing.

The judges hearing the case, Amiran Pruidze, Tengiz Shervashidze and Irine Zarqua, are members of the Supreme Court of the Abkhazian Autonomous Republic. When the MPSM failed to appear, the three moved the hearing to the next day, granting such a short continuance because they were scheduled to take vacations and did not wish to continue it for another 45 days until they had all returned.

On the following day, when the RAPA project lawyer appeared about 20 minutes before the scheduled hearing, individuals from the Ltd. "Gulani" party asked him, crudely, to follow them back outside for a little talk beforehand. They then stated that they knew "all about" the RAPA project and its role in supporting the MAF staff in the case. They offered the project staff attorney, Mr. Mamuka Matiashvili, a job with a "better future." According to Mr. Matiashvili, when he politely rejected that offer, they attempted to frighten him, threatened him with physical violence and tried to provoke a fight. Mr. Matiashvili did not respond.

Once the hearing started, representatives of the other side were repeatedly disorderly but the court made no comment and took no action about their behavior. The judges attempted to hold the hearing as quickly as possible, on the grounds that they had a very tight schedule.

The court found that the lease remains in force. Although at this time the MPSM stated that it did not plan to appeal since the lease would soon run out in any case, the MPSM did file an appeal. The MPSM lost the appeal. (Rumors in the courthouse hallways

suggested that “Gulani” provided a consideration to the appeals court judges, but this rumor cannot be verified.) A hearing before the Supreme Court of Georgia was scheduled for February 12, 2003. The hearing was postponed, and eventually held on March 26, 2003. The Supreme Court left in force the decision of the lower court. This decision is final. The MPSM order is therefore overturned.

Since by the time the case was decided the lease, and the order to release, had expired, it might be asked why Ltd “Gulani” pursued the matter. Apparently, having proven their right to the space, they now intend to pursue the MAF for repayment of their claimed expenses in repairing work. Since the roof later collapsed, it is impossible at this late date to reasonably judge the actual value of those repairs. Should Gulani win that follow-up suit, the Ministry of Finance would eventually include repayment of that sum to Gulani in the national debt. The debt, would, of course, not be likely to be paid very soon. However, a friendly inspector in the State Tax Department could then accept that debt in payment of tax liability by “Gulani.” This scenario is speculative, of course.

**\*Iasha and Roman Labuchidze v MAF, Ministry of Finance, Ministry of Industry, Economy and Trade and State Chancellery of Georgia**

The plaintiffs reside in the village of Itskisi, near Zestafoni. Near the village there is a sandpit. In the 1980s, improper operation of the sandpit caused a mudflow which destroyed the plaintiffs’ homes. On February 9, 1987, the Georgian Soviet Socialist Republic Council of Ministers issued decree number 42 allocating funds to build new houses for the persons who had been made homeless by the mudflow.

The houses were to have been built by the State Agroindustrial Committee of Georgia (*Sakagromretsvi*). At that time, this “superministry” united several previously independent ministries, including the Ministry of Agriculture and the Ministry of Rural Construction. The MAF was the principal legal successor of *Sakagromretsvi*, which was dissolved at the end of the 1980s. The main administrations of *Sakagromretsvi* that had been part of the Ministry of Rural Construction were then rolled into the Ministry of Construction, which later became part of the Ministry of Industry, Economy and Trade.

Based on these facts the plaintiffs filed suit in Tbilisi Vake-Saburtalo District Court in October 2002. They claim that they never received the compensation promised under the Council of Ministers resolution, and demand that the Ministry of Agriculture and Food and the Ministry of Industry, Economy and Trade pay \$111,400 to build them new houses and \$4,456 for attorney fees. The case was heard in the Tbilisi Vake-Saburtalo District Court in February, 2003.

**\*Jamarjashvili v Kazbegi AAF**

Jamarjashvili headed the local administration of MAF in Kazbegi district until 1998. At that time he was elected to the local self-governmental body (*sakrebulo*). So he resigned from the post of head of the local administration. After completing his term in the local council he demanded reinstatement in his previous job, stating that, according to sub clause 2 of article 18 of the Law of Georgia “On the status of the member of the local representative body—Council,” an employee must be reinstated in his initial position after serving his term in local council, or, if the post no longer exists, he must be offered an equivalent position.

The court of first instance ruled in his favor. The acting head of the MAF administration in Kazbegi appealed this decision to the Tbilisi Court of Appeals. The hearing was held in February 2003. The Court of Appeals left in force the decision of Kazbegi District Court.

### **Tsitsana Kankava**

In 1992 Ms. Kankava illegally entered and began to live in dacha number 3 at 41 Saakadze Street, Tskneti, which was then owned by the Ministry of Agriculture and Food. She continues to reside there. The dacha is now the property of Ltd. "Economic Services," formerly the property and maintenance department of the Ministry of Agriculture and Food. This Limited-liability company remains 100 percent state-owned and was, until recently, managed by the Ministry of Agriculture and Food. In 2001 Kankava petitioned the Vake-Saburtalo District Court for recognition of her ownership of the dacha. On July 9, 2001, the court ruled in favor of the petitioner.

Ltd "Economic Services" appealed this decision to the Tbilisi Court of Appeals. A hearing was scheduled for October 11, 2002, but has been postponed. No new hearing date has yet been set.

The MAF is now acting as a third party in this case because management of Ltd. "Economic Services" has now been transferred to the Ministry of State Property Management as required by a Presidential decree earlier this year.

### **JSC "Sakchai"**

There is no active legal case concerning the MAF and JSC "Sakchai." However, there is a large future liability possible as a result of this matter related to the ongoing litigation about JSC "Agroservis" described below.

Presidential decree 177 of April 10, 1997 allocated one million lari to rehabilitate the tea sector. MAF organized a tender to distribute this subsidy, and made a loan to the winner, JSC "Sakchai." An employee of the MAF is listed in a recent US Department of Commerce BisNIS bulletin as the president of JSC "Georgian Tea," but the Minister states that that information is incorrect and JSC "Sakchai" is no longer run by the MAF.

MAF guaranteed the 1997 loan contract, promising in writing that the funds would be repaid to the Ministry of Finance for the Presidential Fund of the state budget. The loan was not repaid, and the Ministry of Finance eventually assessed penalties of 79,000 lari against the MAF as guarantor for failure to repay.

On June 26, 1997, then Minister of Agriculture and Food Bakur Gulua issued instruction 2-182, giving additional "temporary financial aid" to JSC "Sakchai" of 485,000 lari. These funds came from sale of wheat given without charge by Greece to Georgia and were also subject to repayment to the state budget.

A subsequent presidential decree stretched out the period during which MAF must repay the loans through December 31, 2004. MAF owes 1,664,000 lari to the budget on these debts. It appears that no action to collect from JSC "Sakchai" or its legal successors is currently being taken.

**\*JSC “Sakagroservis”<sup>7</sup>**

“Sakchaisubtropiki” was a government organization involved in intergovernmental barter of tea for natural gas from Turkmenistan in the mid-1990s.

On July 8, 1997, President Shevardnadze issued instruction 267 about clearing arrears with Turkmenistan for natural gas. On the basis of that Presidential order, then Minister of Agriculture and Food Bakur Gulua issued Ministerial order 2-57 on January 30, 1998 liquidating “Sakchaisubtropiki”. Paragraph five of Gulua’s order transferred all outstanding assets and liabilities of “Sakchaisubtropiki” to the Joint-Stock Company “Sakagroservis.” These obligations included receivables outstanding of 2,067,458 lari and debts owed of 2,044,113 lari. Of the total amount of Sakchaisubtropiki’s accounts receivable, 1,055,000 was due from Sakagroservis. Other creditors of Sakchaisubtropiki include local Administrations of Agriculture and Food that are collectively owed about 710,000. This amount is presumably still owed to farms for tea delivered to Sakchaisubtropiki and bartered abroad for natural gas.

In 2000, JSC “Sakagroservis” filed suit to abrogate paragraph five of order 2-57 of 1998. The court of first instance found in favor of the plaintiff and the Ministry of Agriculture and Food appealed.

On April 15, 2002, the Tbilisi Court of Appeals found against JSC “Sakagroservis” and left paragraph five of the Minister’s Order number 2-57 of January 30, 1998, in force.

JSC “Sakagroservis” appealed this decision to the Supreme Court of Georgia and a hearing was held on October 9, 2002. Following a second hearing on October 23, 2002, The Supreme Court found against JSC “Sakagroservis” and left paragraph five of the Minister's Order number 2-57 of January 30, 1998 in force. JSC “Sakagroservis” has exhausted all possibilities to contest the order.

**\*Cooperative “National”**

“National” was a cooperative, involved in delivering tea to Turkmenistan. “Sakchaisubtropiki” owed “National” 581,000 lari for tea.

Representatives from “National” attended the JSC “Sakagroservis” hearings. Once the decision was rendered in that case they filed suit for the abrogation of paragraph five of Minister Gulua’s Order number 2-57 of January 30, 1998 and demanded that the Ministry of Agriculture and Food pay them \$784,710 (an amount calculated by an auditor they had hired auditor). They argued that the president's instruction obliged JSC “Sakagroservis” to repay to them the cost of the tea they had delivered tea and that the Ministry had been assigned to control the execution of the instruction. In their brief they claimed that they were an interested party and that the Administrative Code of Georgia required that they should have been notified in advance of ministerial order number 2-57 issued on January 30, 1998. (The administrative code of Georgia was adopted on June 25, 1999.)

On March 20, 2003 a hearing was held. The court rejected the Cooperative’s demand and left in force paragraph five of ministerial order 2-57 of 1998.

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<sup>7</sup> Due to an editing error, this outcome was reported incorrectly in the last review of MAF legal cases.

### **Ltd. “Kevri”**

In 1996 ACDI (now ACDI/VOCA) distributed seed aid in Georgia. One of their intermediaries was the private Ltd. “Chemi mamuli” (my homeland). Ltd. “Kevri” received some of this seed corn. Ltd. “Kevri” did not produce a crop. So Ltd. “Kevri” sued the Ministry of Agriculture and Food, Ltd. “Chemi Mamuli” and ACDI/VOCA for 160,000 lari in compensation for the claimed actual damage from what it asserts was defective seed corn. The court of first instance ruled against the plaintiff.

Ltd. “Kevri” has appealed to the Tbilisi Court of Appeals. A hearing scheduled for mid-October, 2002 was postponed with no new date as yet scheduled.

It is not clear why the MAF was named as a respondent in this suit. Apparently the plaintiff argues that the Ministry’s Seed Quality Inspection was negligent because it did not determine that the seed was defective.

### **“Agroinformi”**

Ministry of Agriculture and Food order number 2-315 of September 26, 1996, allocated 130,000 lari to Ltd. “Agroinformi,” a parastatal managed by the MAF, from the Counterpart Fund. According to the Minister’s order, “Agroinformi” was then to transfer the funds to Ltd. “TV-7” to produce television shows to provide information to agriculture. This amount was said in the order to be for the “first phase of activities” described in the business plan of Ltd. “TV-7.”

On the basis of Minister Gulua’s order, the Ministry and Ltd. “Agroinformi” signed their contract number 2, on September 27, 1997. Under this agreement, the MAF granted 130,000 lari to Ltd. “Agroinformi” for TV-7 to implement the “first phase” activities. The MAF was obliged to monitor that the money was being spent for the specified purpose. Should the MAF discover misuse of the funds, “Agroinformi” would be required to repay the Counterpart Fund and the contract would be voided. Otherwise, no repayment was required or expected.

Based on this contract, “Agroinformi” and TV-7 concluded a contract on October 1, 1997 under which “Agroinformi” granted to TV-7 130,000 lari for first phase activities. According to the agreement “TV-7” was to spend the funds only for the contracted purpose, and in case of any misuse “Agroinformi” was authorized to annul the contract. Should either party fail to fulfill the terms of the contract, the other party was released from its obligation to perform.

On March 24, 1998, Ministry employees inspected the expenditure of the 130,000 lari and found that they had been improperly used. As a result, the MAF declared the contract null and void. TV-7 disputed this claim. On April 6, 1999, Agroinformi sued TV-7 for repayment of the 130,000 lari which had been misspent by TV-7. For reasons which are unclear, the court of first instance did not hear this case until July 13, 2000.

Agroinformi’s claim against TV-7 was upheld in the lower courts and by the Tbilisi Court of Appeals. TV-7 appealed the decision to the Supreme Court and on July 31, 2002 the Supreme Court ruled in favor of “TV-7”, deciding that the funds disbursed to “TV-7” had been properly spent. Therefore TV-7 is not required to repay 130,000 GEL to Agroinformi. This decision cannot be further appealed.

### **\*TV-7**

TV-7 countersued Agroinformi and the MAF claiming that those parties should pay it the balance of the funds called for in its original business plan for agricultural broadcasting, a total of 1,743,000 lari. On August 16, 1999, Tbilisi District Court decided in favor of the Ministry of Agriculture and Food against TV-7 in the case of TV-7's claim for the 1,743,000 lari "balance." TV-7 appealed and the Tbilisi appeals court again upheld the Ministry. TV-7 then appealed to the Supreme Court. On March 9, 2000, the Supreme Court remanded the case to the appeals court for a rehearing. The court found that the lower courts' reasoning had been faulty, in particular because the result of this case depended on the outcome of the Agroinformi-TV 7 dispute. If the original 130,000 lari had in fact been misused, then TV-7's suit for the supposed balance would have been moot since the Ministerial Order and contracts promising the balance were conditional on performance with the first tranche.

On March 21, 2003, the Tbilisi Court of Appeals reheard the case. It ruled in favor of the MAF, finding that it did not have to pay TV-7 the balance of the funds called for in the original business plan.

It is not yet known whether or not TV-7 plans to appeal.

### **Tax Department claim**

In 1996-1997, the Ministry received rental income for lease of state property and paid taxes on the income received under the then-acting tax law. However, the Ministry did not record rental payments it was due but failed to receive. Nor did it make any payments on the back taxes at that time. In 1997-1998 the Chamber of Control repeatedly found that MAF should have paid taxes both on the sums it actually received and those it should have received from this commercial activity. The Chamber therefore imposed on MAF assessments for the back taxes, fines and penalties, eventually to the overall amount of GEL 977,877.

Meanwhile, the law changed and the Ministry of State Property Management became the designated government agent for all lease agreements. As a result, the leases in question, as well as claims for receivables amounting to GEL 1,919,961 were transferred to that Ministry. Reportedly, the lessee admits that these amounts are owed to the government. However, MAF currently has no commercial receivables, nor has it the right to receive them from lessees.

Although MAF no longer manages the leases in question and has no way to receive payments under them, the tax claim remains in force against MAF. It continues to accrue penalties for non-payment.

In 2001 the Tax Inspection obtained a collection order and seized GEL 28,070 from the MAF to pay the tax debt. The funds seized had been given by the government of France to assist rural credit unions, and MAF was spending the money in agreement with the French Ambassador. So these funds were not, in fact, the Ministry's. The Tax Inspection later admitted that it had seized the funds in error since the account was not a pure MAF one (Letter N29.06.01, 1-04/4302 of the Tax Department to the Head of the Mtatsminda-Krtsanisi District Tax Inspection). However, the funds were not returned to the MAF.

The MAF has argued to the tax inspectorate that since it engages in no commercial activity and has no property of its own (all MAF property is government property) the tax debt should be written off under the Tax Code as a bad debt. (Paragraph 28 of Article 29 of the Tax Code of Georgia states that a “bad debt is an outstanding debt arising with the taxes, fines and penalties provided by the tax legislation of Georgia where after applying a measure of coercion to a taxpayer’s property it is established that the taxpayer possesses no property or assets, or his/her property is hardly enough to cover legal expenses”). Pursuant to Article 250 of the Tax Code of Georgia, if an outstanding liability has been recognized as a bad debt, it is to be written off by order of the Minister of Finance of Georgia on the basis of an opinion of the Tax Liability Restructuring Commission set up under the Ministry of Finance of Georgia. However, the Tax Inspection holds that since bad debts are recognized as a part of a bankruptcy proceeding, and the MAF, as a government agency, cannot go bankrupt, the amount cannot be written off as a bad debt.

**\*Robert Gurchiani v MAF (demand for reinstatement)**

On February 25, 2002, order number 15-k of the Minister of Agriculture and Food dismissed Robert Gurchiani from his position as head of the State Inspection of Phyto-sanitary Quarantine of the Plant Protection Service. The order was based on the results of an audit of the Phyto-sanitary Quarantine Inspection by the Chamber of Control of Georgia covering the period January 1, 1999 through October 1, 2001. At the request of the Minister of Agriculture and Food, three employees of the RAPA project participated in this audit together with colleagues from the Internal Control Department of the Ministry of Agriculture and Food and the Control Chamber.

Gurchiani filed suit in Tbilisi Mtatsminda-Krtsanisi District Court demanding abrogation of this order of the Minister and restoration to his previous position. Hearings before Judge Zaur Mebonia began on May 2, 2002. On June 17, 2002, the judge found in favor of the plaintiff and ordered him reinstated.

As part of the ongoing restructuring of the Ministry, the Phyto-sanitary Inspection has been dissolved. On June 21, 2002, Gurchiani refused in writing the position offered to him by the MAF in lieu of the one from which he had been terminated.

On September 12, 2002 the MAF filed an appeal of this judgment in the Tbilisi Regional Court. A hearing was scheduled for October 25, 2002 but cancelled because Gurchiani failed to appear. A new hearing date was set for February 21, 2003, but again continued because Gurchiani changed his legal counsel.

Gurchiani has also sent protest letters to the head of the Committee on Agrarian Issues of the Georgian Parliament, the State Minister of Georgia, and elsewhere claiming wrongful termination and requesting a parliamentary investigation. Those requests have been refused.

Judge Mebonia has since been removed from the bench for accepting bribes in another matter that had been before him.

**\*Robert Gurchiani v MAF (contesting legality of reorganization)**

While his claim for reinstatement was in the courts, Gurchiani filed a second suit, demanding that presidential decree 255 (May 23, 2002) approving the new structure of

the MAF without a separate Phyto-sanitary Quarantine Inspection, and the two orders of Minister Kirvalidze that implemented it (2-88, June 19, 2002 and 2-90, June 21, 2002) be annulled. He argued that the reorganization should not have been done while his case was being heard, that its only purpose was to eliminate his job, and that President Shevardnadze would not have issued his decree approving the new structure had Kirvalidze told him the labor dispute was being heard. That is, he asserted that Kirvalidze had lied to Shevardnadze about the situation in the MAF.

The Tbilisi Regional Court found against Gurchiani in this case on September 18, 2002. The Supreme Court scheduled a hearing in this matter for February 19, 2003. The hearing was actually held on February 26, 2003. The Supreme Court left in force the decision of Tbilisi Court of Appeals, rejecting Gurchiani's claims. Gurchiani has no further possibility to appeal this matter.

### **\*Dodo Gugeshashvili v information agency "GEA"**

The MAF is not directly involved in this case, but it arises directly from the Gurchiani matter.

Ms. Dodo Gugeshashvili is a leading member of the former paramilitary and present political organization Mkhedrioni ("the horsemen"), commanded by Jaba Ioseliani. Information-analytical agency "GEA" is a major Georgian wire service that provides daily news feeds to local media. Its founder, Mr. Giga Kurdovanidze, has taken a leave of absence from his business to work as the RAPA project's outreach coordinator.

During the hearings on the first Gurchiani suit, Mr. Kurdovanidze and another RAPA project staff member, Mr. Vasili Bibiluri, videotaped the proceedings. A GEA correspondent also attended some hearings. When asked by Gurchiani's lawyer whom they represented, they said GEA.

On August 26, 2002, GEA reported that Ms. Gugeshashvili had been arrested in the Pankisi Gorge for possession of narcotics. She brought an action for defamation against GEA in the Vake-Saburtalo district court, demanding an apology and 100,000 lari in damages.

The agency's information reportedly came from the chief of police in Akhmeta, the town at the base of the Pankisi Gorge. Unfortunately, a few days after the item appeared he was fired for negligence because a Chechen captured crossing the border from the Russian Federation escaped from the town jail.

Ms. Gugeshashvili is represented by Ms. Guliko Gabaidze, who also represented Robert Gurchiani until recently. Gabaidze has reportedly publicly stated that her purpose is to punish GEA for its role in the Gurchiani case. The amount of damages demanded is more than the total value of GEA's assets and statutory capital.

On advice of its legal counsel, GEA has ceased operations in order not to risk an adverse judgment. No hearing date has yet been set. However, this suit has already achieved its obvious objective by forcing the closure of GEA.

**ANNEX 5. MINUTES OF PRESIDENTIAL MEETING REVIEWING MAF WORK DONE IN  
2002 AND PLANS FOR 2003**

**Protocol of a Meeting of the President of Georgia**

No. 7

February 20, 2003

Chair: E. Shevardnadze, President of Georgia

Present:

State Minister of Georgia A. Jorbenadze

Minister of Agriculture and Food of Georgia D. Kirvalidze

Deputy State Minister M. Nikolaishvili

Administrative and responsible officials of the Ministry of Agriculture and Food and the State Chancellery: R. Asatiani, M. Bigvava, I. Bochoridze, D. Grigolia, G. Datunashvili, E. Dolaberidze, R. Kakulia, O. Kacharava, T. Kunchulia, Z. Lipartia, V. Mamiashvili, N. Mamaladze, G. Surguladze, G. Tkeshelashvili, D. Shervashidze, Z. Chanchiabadze, T. Chikvaidze, M. Chachua, I Tsomaia, R. Tsintsadze, K. Khutsaidze.

Achievements in 2002 and strategic plans for 2003 of the ministry of agriculture and food (Speaker D. Kirvalidze the Minister of Agriculture and Food)

(V. Gvarjaladze, T. Chikvaidze, R. Tsintsadze, A. Jorbenadze, E. Shevardnadze)

1. The information presented was taken into account.
2. It should be noted that in recent years, fundamental structural reforms taken in the Ministry of Agriculture and Food have had a major impact on the good tendencies within the Ministry. The Ministry's influence over the agrarian and food sector of the country has been strengthened. Great attention is paid on upgrading and improving the rural economy. An extension (training, consultation and scientific-information) system is being set up. The relationship between international donor organizations involved in supporting agriculture through credit lines, target grants and technical assistance projects has been intensified. Moreover, agricultural production is increasing, simultaneously improving food security.
3. The ministry of Agriculture and Food of Georgia (D. Kirvalidze) is:
  - By January 1, 2004, to develop proposals about possibilities to attract funds taking into account international experience of support for agriculture;
  - By the end of 2003, along with the Academy of Agricultural Sciences (V. Metereveli) and the Ministry of Environment Protection (N. Chkhobadze), to develop proposals about immediate measures to rehabilitate windbreak lines and maintain soil fertility.

- By the end of 2003, along with the Central Union of Consumers' Cooperatives "Tsekavshiri" (I. Kelabkiani), to prepare a proposal as appropriate on refining the system for procuring production from farmers;
  - For 2004, to develop state target programs to improve the bee production and breeding industry and to maintain biodiversity, thus paying more attention on maintaining and selecting local and native varieties;
  - By the end of 2003, to develop proposals about extension of policy reforms in the fish sector by "Saqtevzi";
  - For 2004, to develop—with the participation of interested businessmen and organizations--a state target program about overall utilization of Georgia's opportunities to increase the demand and supply of fresh and mineral waters to world markets,.
  - To take measures--along with donor organizations and interested state or private entities--to facilitate improving the production of agricultural raw materials as well as the processing system itself through the use of various mechanisms of production integration in order to accelerate the rehabilitation process of the food and processing industry;
  - To pay special attention to the harmonization of national standards and legislation [with those of the European Union] in order to make collaboration with European Commission structures more fruitful and purposeful.
  - Along with the National Bank, to discuss prospects for developing borrowing relationships with the World Bank and other international financial institutions. By the end of this year, to develop proposals about other possible ways of providing funding to the agrarian sector.
  - To carry out regular testing and holding of competitions to develop alcoholic-beverage production and improve market recognition of Georgian wines and spirits.
4. The Academy of Agricultural Sciences is:
- By February 15, 2003, required to present a report for discussion at the government meeting the work done to develop the agrarian sector;
  - By the end of this year, along with the Department of State Land Management (Z. Gegechkori), to present proposals on appropriate measures for consolidation of parceled lands.
5. Within a month, the Ministry of Finance of Georgia (M. Gogiashvili), the Ministry of Urbanization and Construction of Georgia (M. Nikolaishvili) and the Ministry of Agriculture and Food of Georgia are required to present proposals on allocation of

needed funds for providing emergency assistance to repair damaged amelioration systems.

6. Within two months, the Ministry of Economy, Trade and Industry and the Ministry of Finance along with the Ministry of Agriculture and Food are to submit proposals to the State Minister about possible sources of funds needed to maintain breakwaters [dams?].
7. The Ministry of Finance is to insure stable funding of the state target programs of the Ministry of Agriculture and Food from March 10, 2003 within the framework of the state funds envisaged for 2003.

*Translated by Natia Gabelia  
March 24, 2003*

## **ANNEX 6. DRAFT NATIONAL PROGRAMME OF LEGISLATIVE HARMONIZATION WITH EU, AGRICULTURAL SECTION**

[This document was prepared by the Georgian-European Policy and Legal Advice Center for presentation to and approval by President Shevardnadze at the end of March, 2003. The principal research and writing for this section, however, was done by Giorgi Dangadze of the RAPA project in collaboration with staff of the Plant Protection, Veterinary and other MAF departments. Given the importance of legal harmonization it is reproduced here. The translation is as supplied by GEPLAC.]

### **AGRICULTURE**

Agriculture plays an important role in the Georgian economy, as this sector is traditionally of high importance for the country. At present Georgian legislation in the both directions – plant and animal protection – is roughly in line with international standards because the country acceded to the WTO.

Although the reform process has been started there are certain important steps to be taken with regard to the implementation of the legal Commitments under the Partnership and Cooperation Agreement concluded between European Communities and Georgia. With regard to the agriculture the approximation commitment provided for in Art. 43 of the PCA is quite complex process, which requires the evaluation of current legal and economic state of the sector and setting out priorities concerning transposition of relevant EU legislation into the national system.

### **Plant Protection**

#### ***1. Introduction***

Phytosanitary protection of the territory of Georgia is an integral part of the state national security system. It encompasses the implementation of the phytosanitary quarantine measures. These measures will protect the territory of Georgia from bringing in and acclimatization of plant products, materials, quarantine and other pests brought in by means of transportation and plant diseases from foreign countries; as well as their taking away from the country in the process of international trade according to the international phytosanitary standards and requirements and responsibilities assumed by Georgia.

Plant protection represents scientifically justified set of measures of country's food security and provision, conditioning the quality and productivity of strategically important agricultural cultivations. The major directions of plant protection within the country are: revelation of the particularly dangerous harmful organisms; prevention of their immense dispersion and state of emergency; localization and liquidation of pestholes; state registration of pesticides; the protection of the security regulations concerning import; storage, usage, realization of pesticides; control over the pesticides residues in agricultural products; state phytosanitary control and supervision over the materials of ecological products; diagnosis of harmful organisms; the prognosis and signaling of their spreading and development; maintenance of the natural balance in agro-systems and introduction, propagation and launching of useful bioagents; support of the farmers in terms of consultations and supply of information.

The geopolitical location of Georgia and the fact that it is one of the major west-economy oriented transit country of the Europe-Caucasus –Asia corridor stresses the importance of the plant protection and quarantine field and increase of phytosanitary protection level of the country that is achieved through the gradual harmonization of the legislation with the international and European one in the mentioned field.

Plant protection and quarantine activities are regulated by the following laws in Georgia: Law of Georgia on the Protection of Plants from Pests, the law of Georgia on Agricultural Quarantine, the law of Georgia on the Registration Collections, the law on Georgia on the Basis of Issuance of Licenses and Permit for Entrepreneurial Activity. It has to be mentioned, as well, that the sub-legal act on the Instructions for Storage, Transportation, Realization and Usage of Pesticides is just in the process to be agreed upon by the ministries of Environment and Natural Recourses and Health and Social Welfare.

The international activity in the field of plant protection and quarantine is regulated by means of the 3 framework documents, which define legal and normative requirements for the phytosanitary quarantine control in all countries of the world. These requirements represent the fundamental principles on which is based each country's national phytosanitary legislation and regulations:

These documents are:

- International Convention on Plant Protection
- The WTO Agreement on Implementation of the Sanitary and Phytosanitary Measures (Georgia became the member of WTO in 2002)
- The Principles of Plant Quarantine connected with International Trade, International standard – ISPM#1, 1995)

## ***2. Recommendations***

Herein after we would like to draw your attention to the directives and regulations, the Georgian legislation has to be harmonized with in the nearest future.

### **2.1 2000/29/ directive on protective measures against introduction into Community of organisms harmful to plants or plant products and against their spread in the Community.**

This directive shall support Georgia in adoption of the protective measures introduction and spread of organisms harmful to plants or plant products from foreign countries into Georgia. As well as in the institutional arrangement of the Plant Protection Service - the body that is foreseen under the Georgia legislation as the executor of the measures to be adopted in this field on the local and central level.

The Plant protection Service, by using this directive and elaboration of the relevant normative act, will get the opportunity to carry out official inspection of the plants and plant products before their bringing in to Georgia in the dispatcher country - the place of production or manufacturing, that is the effective tool to avoid the bringing into the country of the harmful organisms and shall create the less barriers to the international trade.

**2.2 Commission Directive 98/82/EC of 15 April, 1998 laying down the minimum conditions for carrying out plant health checks in the Community, at inspection posts other than those at the place of destination, of plants products or other objects coming from third countries.**

Through the implementation of the requirements of the concerned directive, the adoption of the relevant normative act and financial support, the inspection posts equipped with the recent checking techniques and competent staff on the territory of Georgia shall be established. This will promote unimpeded movement of the controlled cargo and vehicles during the border crossing procedures and the country's phytosanitary protection level shall be improved at the same time.

**2.3 Commission Directive 92/90/EEC of 3 November 1992 establishing obligations to which producers and importers of plant, plant products or other objects are subject and establishing details for their registration.**

The current phytosanitary field legislation foresees (the law of Georgia on Agricultural quarantine) the establishment of the state control on the implementation of the quarantine rule by those physical or legal persons who carry out production, storage, transportation, realization, processing of the plant products and other controlled products, but the implementation of the above-mentioned task is quite difficult because of the lack of the relevant normative base, that will cover the obligations of the physical and legal persons carrying out production, storage, transportation, realization, processing of the plant products, according to the mentioned directive.

On the basis of adoption of the normative act in relevance to the Commission directive # 29/90/EEC - an appropriate register shall define the physical and legal persons carrying out the above-mentioned activity; regulate the relations and co-operation that will contribute to the organized activity of importers and exporters according to the international standards.

**2.4 Council directive 77/93 of December 21, 1976 on preventive measures against the introduction of the harmful organisms to plants or plant products.**

By adopting the relevant normative act in compliance with this directive, which Georgia lacks for now, certification of the phytosanitary controlled cargo during the international shipments shall be regulated and shall obtain the legal base. The reliable legal fundament shall be established for the adoption of the justified restrictions and prohibitions necessary for the country's phytosanitary security. The above-mentioned excludes the adoption of the groundless restrictions and prohibitions, which are not in compliance with international requirements.

We consider reasonable the gradual harmonization of the following European legislation with that of EU in terms of the development of the legislative base in the field of effective use of pesticides and safe consumption as well as the increase of the quality of the plant protection and phytosanitary safety.

The major directive - Council Directive of July 15, 1991 concerns the placement of the plant protection means on market.

The long-term gradual program for the re-evaluation of the pesticides being in use has to be elaborated taking into account the Council Directive 451/2000 of February 28, 2000 and the regulation provided in article 8 (2) of the Council directive 91/414.

Despite the fact that the Plant Protection Service has elaborated “ the rule of plants’ marking “ on the basis of FAO recommendations, we consider reasonable to elaborate the rule of the classification of the pesticides as well as the security paper taking into the account the requirements of the **Directive 67/548/EEC, October 9, 1990, on the “clarification of the laws, regulations and administrative rules related to the classification, packaging and labeling of the dangerous substances”** and of the **Directive 90/517/EEC on the alignment of the previous directive with the technical progress.**

While the conduction of the new catalogue of the admitted pesticides, it is necessary to consider following directives: **directive 2000/801/EC of December 20, 2000, directive 2000/725/EC of November 20, directive 2000/816/EC and 2000/817/EC of December 27, as well as directive 989/270/EC and extraction from the list of the outdated pesticides, which are dangerous for humans and environment (for ex. substances containing permethrin - Commission decision 200/817/EC, December 27, 2000.**

The Georgian legislation has to foresee Commission directives on the establishment of the maximum permitted values of pesticides in wheat, crops and products of plant and animal origin, including fruits and vegetables.

These directives on the pesticides containing different active chemical substances are: **98/82/EC of October 27, 1998; 2002/66/EC of July 16, 2002; 2002/71/EC of August 19, 2002; 2002/76/EC of September 6, 2002; 2002/79/EC of October 2, 2002; 2002/97/EC of December 16, 2002; 2002/100/EC of December 20, 2002.**

The mentioned directives take into account the amendments made to the following directives: **76/895/EEC, 86/362/EEC, 86/363/EEC and 90/642 /EEC** that serve as a base for the legislation on the maximum admitted values of pesticides.

For the purpose of control of the pesticide residues it is important to prove the lists reviewed in **directive 76/895/EEC** and adoption of the documents similar to the **directives 93/57/EEC, 93/58/EEC and 93/30/EEC.**

Moreover, the adoption of the document similar to the one adopted by the standing **Committee of Plant Health - 9205/V197** for the elaboration of the working program on the pesticide residues within the frame of the **directive 91/414/EEC** is very important.

## **Animal Protection**

### ***1. Introduction***

Currently, the professional activities are regulated under the International Veterinary Code and the norms, requirements and rules of the law of Georgia on Veterinary, in Georgia.

It has to be mentioned that the epizootic situation is regulated by the Epizootic International Bureau (O.I.E.) on the international level, that possesses the complete

information on the animal diseases (epizootic, zoonotic, zoono-anthropozoonotic “A” and “B” groups and etc.) and gives recommendations on the issues connected to the import, export, re-export and transit shipments of the animals and animal products.

OIE is the body dealing with animal health and reliability of the animal products is recognized by the World Trade Organization.

The specific measures against the animal epizootic, zoonotic and zoono-anthropozoonotic diseases are elaborated on the national level to control the movements of animals and animal products from the countries falling under the restrictions due to the existence of the grounds of “A” and “B” group dangerous, contagious diseases on their territories.

Therefore, the measure elaborated and implemented in Georgia against the “A” and “B” group diseases shall be similar to those enforced on the EU territory.

Commission directives and regulations represent the regulatory normative document in the field of animal health and zootechnics on the territory of EU. The mentioned directives and regulations are elaborated on the basis of requirements and recommendations of the International Veterinary Code and OIE .

It has to be mentioned that the conference organized by OIE, held on October 20, 2001 in Valsrid, Germany, observed the issue on Harmonization of Veterinary Policy in Eastern and Western Europe. The conference was attended by the representatives of the central veterinary service of 42 countries of the world, EU veterinary service and representatives of FAO and OIE. The conference addressed the issue on harmonization of the legislation of the veterinary service of the EU candidate countries and CIS countries. The conference took recommendations on the primary tasks and priority trends in the veterinary field.

The issue on the necessity of establishment of the relevant legislative base covering the following: zoonotic and zoono-anthropozoonotic diseases defined under group “A” by the International Veterinary code, international trade veterinary-sanitary requirements, identification of animals and animal products were considered as a first-stage priorities.

Consequently, foreseeing the necessity of adoption and review of the recommendations on the basis of the Commission directives and regulations on the issues defined under the strategy of harmonization of the Georgian legislation with that of EU, the application of the following Commission directives and regulation is considered to be reasonable before the adoption of the mentioned sub-legal acts.

## ***2. Recommendations***

### **2.1 Council Directive 2002/60/EC of 27 June 2002 laying down specific provisions for the control of African swine fever.**

Considering the poor condition of the state budget, it is impossible to implement the full-scale preventive measures against African swine fever (complex immunization measures, quarantine measures, special, liquidation and etc.). The measures provided by the mentioned directive will support veterinary service in the issues of prevention of the African swine fever.

## **2.2 Commission Directive 2002/4/EC of 30 January 2002 on the registration of establishments keeping laying hens covered by Council Directive 1999/74/EC**

The issues on registration of the poultry establishments, identification and code marking of received poultry production are not yet defined under the relevant sub-legal act in Georgia. The issue of the submission of information to the competent bodies by the poultry undertakings is not regulated as well. Without the arrangement of the mentioned issues, the undertaking is not able to put production in realization in compliance with the relevant rules.

So far, the concerned EU directive will support the regulation of the mentioned problem within the country.

## **2.3 Commission Regulation (EC) # 1326/2001 of 29 June 2001 laying down transitional measures to permit the changeover to the Regulation of the European Parliament and the Council (EC) # 999/2001 laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies, and amending Annexes VII and XI to that Regulation.**

Bovine Spongiform Encephalopathy is a newly discovered disease, which is common dangerous zoonotic animal and human disease. The etymology of the mentioned disease is not completely studied for now. It is registered in certain countries. The massive spread (outbreak) of this disease in bovine animals has caused the big economic damage to Great Britain. The laboratory diagnosis of this disease is impossible in Georgia due to the lack of the required material-technical base. The strict restrictive measures are established on the international level in relation to Bovine Spongiform Encephalopathy.

So far, the transitional measures provided by the mentioned Commission regulation will give to Georgia the opportunity for the application of the rule established by European Parliament and Council for the purpose of prevention of the Bovine Spongiform Encephalopathy.

## **2.4 Council Directive 2001/89/EC of 23 October, 2001 on Community measures for control of classical swine fever**

The prevention of swine classical fever has the great importance for the population of Georgia. However, because of the lack of the needed funds the preventive (planned full-scale immunization, quarantine restrictive, liquidation) measures against the disease are not implemented. Only the small part of the population manages to make vaccination with vaccine bought on their own funds. However, the prevention of the mentioned disease is not possible by the partial implementation of the immunization. In case of outbreak of the disease the per capita that falls under the doubt has to be destructed. But this is impossible because the owners do not have insured their animals. In case of their destruction the owner shall not get any compensation.

On the basis of the above-mentioned the application of the measures provided in the mentioned Council directive shall contribute for the regulation of the disease prevention.

**2.5 Commission Regulation (EC) # 1825/200 of 25 August 2000 laying down detailed rules for the application of Regulation (EC) # 1760/2000 of the European Parliament and of the Council as regards the labeling of beef and beef products**

The issue of animals and animal products' labeling is not regulated in the country. In earlier times the labeling of the animals was carried out only in public farming. Today in the condition of market economy and according to the requirements of international norms and rules, the relevant labeling of all kind of animals is required to be implemented on the whole territory of the country. The owner, producer of animals and animal products should have identification and many-sided registration system on the different stages of animal, animal products production and realization.

Taking into account the above-mentioned, the application of the concerned regulation will endorse the regulation of the issue of labeling of animals, production and realization of animal products.

**2.6 Commission Regulation (EC) # 2629/97 of 29 December 1997 laying down detailed rules for the implementation of Council Regulation (EC) # 820/97 as regards ear tags, holding registers and passports in the framework of the system for the identification and registration of bovine animals.**

The application of identification of animals, ear tags, holding registers and creation of passport system has a great importance. Due to the lack of identification numbers in animals there is no information about the total number of animals in the country that makes impossible to implement the relevant control over disease preventive measures.

Therefore the mentioned regulation shall endorse the ruling of the issues connected with animal registration and identification within the country.

**2.7 Council Directive 94/65/EC of 14 December laying down the requirements for the production and placing on the market of minced meat and meat preparations.**

According to the requirements of the Law of Georgia on Veterinary and International Veterinary Code, the country's veterinary service does not have the relevant sub-legal act that defines the requirements for the production and placing on the market of minced meat and meat preparations.

Taking in account the above mentioned, the concerned Council directive shall support the Ministry of Agriculture and Food of Georgia and Veterinary Department in making relevant decision on the issues of minced meat and meat import.

**2.8 Council Directive 93/53/EC of 24 June 1993 introducing minimum Community measures for the control of certain fish diseases.**

Despite the fact that Georgia does not produce the export of fish and fish products, the establishment of strict veterinary control over the fish farming and undertakings for the maintenance of sound epizootic reliability represents the necessity for the support of the fishery sector and production of fish products inside the country. In the case occurrence of the fish diseases the strict quarantine and preventive measures have to be taken to avoid the danger of the disease spreading. For today, the countries veterinary service

lacks the relevant sub-legal act that shall regulate fish diseases and other necessary measures to be implemented.

So far the applications of the mentioned council directive has a great importance for country's veterinary service.

### **2.9 Council Directive 92/66/EEC of 14 July 1992 introducing community measures for the control of Newcastle disease.**

Poultry keeping represents the essential source of the population's income and of the provision of the population with poultry meat in a village in Georgia. The breakout of Newcastle disease can cause the complication of the epizootic situation and the great economic damage to the population. It has to be mentioned that the preventive measure against poultry Newcastle diseases are not financed. The partial measures taken by the state in a centralized way or by the population on their own funds do not provide for the full-scale implementation of the preventive measures against the mentioned disease. Currently, country's veterinary service does not have the relevant act regulating the prevention of the poultry Newcastle disease.

Therefore, considering the above-mentioned, the Council directive has a great practical importance for the country's veterinary service.

### **2.10 Council Directive 92/118/EEC of 17 December 1992 laying down animal health and public health requirements governing trade in and import into the Community of products to be subject to the said requirements laid down in specific Community rules.**

The issues of reliability of animal products, their trade, import, export and transit shipments are regulated under the law of Georgia on Veterinary, but according to the requirements and norms of the law the relevant normative acts, that in each concrete case would regulate the issues on animal product trade, import, export and transit shipments have not been elaborated yet.

On the basis of above-mentioned, the concerned Community directive has to be applied as a guide by the country's veterinary service

### **2.11 Council Directive 92/116/EEC of 17 December 1992 amending and updating Directive 71/118/EEC on health problems affecting trade in fresh poultry**

The norms and rules connected with the trade in fresh poultry meat and other issues relating to the mentioned trade are not regulated under the relevant sub-legal act in Georgia, currently.

Regarding to what has been said, the concerned council directive represents the important guiding document of the country's veterinary service.

### **2.12 Council Directive 91/498/EEC of 29 July 1991 on the conditions for granting temporary and limited derogations from specific Community health rules on the production and marketing of fresh meat.**

The country has not elaborated regulatory document on the specific measures concerning the production, reliability, and marketing of the fresh meat.

Foreseeing the fact that Georgia carries out the export of the fresh meat in the country, the application of the mentioned directive as a guide is absolutely necessary.

**2.13. Council Directive 77/391/EEC of May 17, 1977 introducing Community measures for the eradication of brucellosis, tuberculosis and leucosis in cattle**

The activities foreseen under the full-scale program against the mentioned diseases are not implemented because of the lack of budget covering the issues concerning the prevention of the brucellosis, tuberculosis and leucosis.

It has to be mentioned as well that brucellosis and tuberculosis are the dangerous infectious diseases that are common for human and animals and their prevention is one of the important issues for our country. The relevant regulating document on the issues of prevention of these diseases is not yet elaborated in the country. Consequently the mentioned directive must be applied by the country's state veterinary service.

**2.14 Council Directive 64/432/EEC of June 1964 on animal health problems affecting intra-Community trade in bovine animals and swine.**

With regard to the issues of trade in bovine animals and swine, the State Veterinary Service of Georgia applies the norms and rules agreed within the CIS environment, that are not fully compliant with the norms foreseen under the international requirements.

Taking into account all the above-mentioned, the application of the Commission regulation shall assist in the regulation of the issue on the trade in bovine animals and swine.

**2.15. Council DIRECTIVE 90/423/EEC of June 26, 1990 amending Directive 85/511 introducing Community measures for the control of Foot-and mouth disease, Directive 64/432/ on animal health problems affecting intra-Community trade in bovine animals and swine and the problems related to the veterinary checks while the import from the third country of the bovine animals, swine, fresh meat and meat products.**

There is an unstable epizootic situation in the country as regards to foot-and-mouth disease. The immunization of bovine animals is carried out only in the zones of danger mainly located on the state-border adjacent territories. And this is not sufficient. As a result of the above-mentioned, the breakout of this disease has taken place in different years and with different intensity. It has to be mentioned as well that the relevant normative act addressing the mentioned issues has not been elaborated yet.

Considering the above mentioned, the State Veterinary Service has to use as a guide the mentioned directive.

The sub-legal acts that in each specific situation shall regulate the issues concerning the trade, export, and import and transit shipment of products are not elaborated yet.

Considering the above mentioned, the State Veterinary Service has to use as a guide the mentioned directive.

**2.16 Council Directive 92/117/EEC of December 17, 1992 concerning measures for protecting against specified zoonoses and specified zoonotic agents in animals and products of animal origin in order to prevent outbreaks of food-borne infections and intoxications.**

The implementation of the full-scale measures for protecting against specified zoonoses and specified zoonotic agents in animals and products of animal origin in order to prevent outbreaks of food-borne infections and intoxications, have a great importance for the protection of the human and animal health. With regard to the above mentioned, there is no relevant regulating document elaborated to regulated the mentioned issue for today. Taking in account the above-mentioned, the concerned directive should be used as a guide.

**2.17 Council Directive 91/493/EEC of 22 July 1991 laying down the health conditions for the production and the placing on the market of fishery products**

The relevant regulating document on the health conditions for the production and the placing on the market of fishery products is not elaborated in the country thus far.

So far it is necessary to provide the Georgian version of the above-mentioned directive for the use of the State Veterinary Service.

**2.18 Council Directive 92/40/EEC of 19 May 1992 introducing Community measures for the control of avian influenza**

Avian influenza out-breaks of different intensity have taken place in different regions of the country during the years, due to the fact that the preventive measures against the avian influenza are not carried out under the state funding. Out-breaks of the mentioned disease cause the significant damage to the agrarian sector and population. The country lacks the relevant regulating document on the issues concerning preventive measures against avian influenza.

Taking into account the above-mentioned, the Georgian translation of the concerned directive has to be presented for the application by the State Veterinary Service.

### **3. Conclusion**

Harmonization of these European Directives and Regulation to the Georgian legislation will improve the situation in Agriculture sector, especially in veterinary and phyto-sanitary sphere. Mainly, it will fill the existing gaps in Georgian legislation. Bringing the European standards will facilitate trade relations between Georgia and European countries, create favourable climate for foreign investment attraction, strengthen the fair competition in the local market and reduce the level of penetration of low quality products.

On the other hand, the implementation of existing rules and procedures still faces severe problems. Georgian agricultural sector requires structural changes, but financial

impediments have negative impact on sector development, thus making Georgian agricultural sector less attractive for investments.

It is also important to mention that main provisions of production, processing, Labeling and Marketing of organically produced food are given in the EU regulation 2092/91, in it's supplementing material and current official standards of Codex Alimentarius (According to the commitments of Georgia towards the WTO harmonization is under the developing process with following standards adopted by the Codex Alimentarius commission up to 2001).

On the basis of afore-mentioned regulations draft-law "About implementation of biological agro-production and certification" was elaborated in the Ministry of Agriculture and Food of Georgia. Draft-law passed through governmental agencies and is presented for final procedures in the Parliament of Georgia.

The draft-law envisions the European Standard (EN) 45011 (1988) titled as: General criteria for the bodies issuing certificates for products.

The introduction of seeds marketing regulations will underpin the law of Georgia on permission for distribution of agricultural crop varieties, seeds and planting materials and protect the grower, processor, packer and purchaser of certified seed.

The Georgian Ministry of Agriculture and food has agreed to align seed standards and legislation with international standards.

The following harmonisation methods should be introduced:

- Standards for pre-basic seed (Super elite) should be at least as high as EU/OECD pre-basic and the labels should have the same colour, i.e. white with a purple diagonal stripe.
- Basic seed of the first generation (1st reproduction) standards should be at least as high as EU/OECD first generation certified seed standards and the labels should be blue.
- Certified seed of the second generation (2nd reproduction) standards should be at least as high as EU/OECD second generation certified seed standards and the labels should be red.

Seed standards - It is recommended that EU/OECD standards are incorporated into regulations by ensuring that the Georgian standard is always at least as strict as EU/OECD. Some simplification of the standards is recommended and it is further recommended that there be just one set of standards for each species. At this stage there are draft-versions on maize, barley, wheat and sunflower.

**ANNEX 7. REPORT ON PARLIAMENTARY MANEUVERING OVER LAW ON VETERINARY  
MEDICINE**

**MEMORANDUM**

**To:** Geoffrey Minott, USAID Office of Economic Growth

**From:** Mamuka Matiashvili, Senior Staff Attorney

**Subject:** Draft Law of Georgia “On Amendments and Addenda to the Law of Georgia  
‘On Veterinary Medicine’”

**Date:** drafted December 24, 2002; revised January 27, 2003

At your request, this memorandum summarizes information on this issue, as well as my own analysis and legal arguments on this issue.

The present Law of Georgia “On Veterinary Medicine” specifies that the Veterinary Department is subordinated both to the Ministry of Agriculture and Food and directly to the State Minister. Presidential Instruction number 544 (October 1, 1998) “On the Restoration of functioning of the local veterinary biological industry”, directed that the Veterinary Department be established as a legal entity of Public Law. As a result, the Department has quite substantial autonomy from the executive branch and considerable authority over its revenues.

According to the “Explanatory Note” to the “Draft Law of Georgia ‘On Addenda and Amendments to the Law of Georgia “On Veterinary Medicine”””, the main purpose of this Draft Law is to separate state controlling (regulatory) functions from economic (production) ones within the state veterinary system. For this purpose, the veterinary laboratories, veterinary-sanitary analysis labs at agrarian markets and other veterinary services operating in districts, cities (towns) and villages of the country are to be privatized. As a result, all economic functions will be transferred to private legal and physical entities. These changes were also included as conditions in the European Commission Food Security Program’s Memorandum of Understanding with the Government of Georgia signed on June 7, 2002.

Attaining this goal is likely to be impossible if specific reforms are not accomplished and structural changes are not made in the field of veterinary medicine. Carrying out these changes was and is the main sense of this Draft Law (at least the Explanatory Note itself suggests so). In particular, in order to ensure further reform of the field and, in general, to achieve the set goals, it appears to be necessary to carry out structural reorganization of the state veterinary network in order that it accord with the major purposes set by the Draft Law.

A Draft Law to achieve these goals was prepared as a legislative initiative of the Agrarian Committee of the Parliament of Georgia. Fully following the standard procedures, the Draft Law was discussed with several Committees of the Parliament of Georgia, the State Chancellery, the Ministry of Justice of Georgia, the Ministry of Agriculture and Food of Georgia and other agencies. These recipients provided written comments on the draft and

indicated that they did not object to the draft as it concerned their areas of competence. The draft law was finally agreed to by the Ministry of Agriculture and Food of Georgia in its letter to the Agrarian Committee of December 4, 2002, number 3-1/2727.

However, that agreed draft was changed in the Agrarian Committee after December 4. The amendments were not agreed with the Ministry of Agriculture and Food of Georgia. The changes made in Committee fundamentally contradict the purpose, concept and reason for enactment of the Draft Law.

These amendments have been made mainly at the direct insistence of Roza Lortkipanidze (the First Deputy Chairman of the Environment and Natural Resources Protection Committee; "Citizens' Union" parliamentary fraction), Vitali Khazaradze (Chairman of the "Citizens' Union" parliamentary fraction) and Irakli Gogava (Chairman of the "Alliance for New Georgia" parliamentary fraction).

On December 18, 2002, the Agrarian Committee of Parliament held a meeting in which representatives of the Ministry of Agriculture and Food of Georgia participated to discuss the Draft Law of Georgia "On Addenda and Amendments to the Law of Georgia "On Veterinary Medicine." The Agrarian Committee presented its amended version of the Draft Law for discussion. Following this Committee meeting, the Ministry of Agriculture and Food of Georgia, in its letter number 3-1/2849 (December 19, 2002) and letter number 2-1/2859 (December 20, 2002), objected to the amendments introduced by the Committee. In those letters, the Ministry reiterated that it had agreed to the original version draft and requested the Agrarian Committee to present the version without the Committee's amendments to be discussed at a Plenary Session of Parliament.

The Minutes of the Parliamentary Session of December 19, 2002, show that the amended version of the Draft Law was presented for discussion by MP Gia Kheviashvili as Committee rapporteur, although Bezhan Gonashvili, the Head of the Agrarian Committee of Parliament, had been designated to present the original version of the Draft Law. Kheviashvili explained the need to enact the Draft Law because of its great importance for the future development of the veterinary medicine. Therefore, he requested enactment of the Draft Law by the simplified procedure after a single reading. In addition, Kheviashvili spoke about the reasonableness of this Draft Law, about privatization of the economy as well as other desirable goals that would be more easily reached once the Draft Law had been adopted. The rapporteur indicated that the Draft Law had been agreed with all competent authorities. Mrs. Tsatsanashvili, the Parliamentary Secretary, confirmed that earlier the Draft Law had been agreed with the relevant authorities, including the Ministry of Agriculture and Food of Georgia, although she added that the Ministry of Agriculture and Food had a quite different, rather contradictory, viewpoint on the precise draft now being presented. She added that a representative of the Ministry was on his way to Parliament to express the Ministry's concerns and would arrive in five minutes. Tsatsanashvili's announcement caused the discussion of the draft law to be interrupted and the Parliament went on to other business. However, the session ended without returning to the issue and the Parliamentary chairperson directed the Agrarian Committee to obtain the Ministry's agreement with the version to be discussed by the Parliament.

On the evening of December 24, during the Session of the Parliament's Bureau, members of Parliament of Georgia: Irakli Gogava (Chairman of Fraction "Alliance for New

Georgia") and Zviad Mukbaniani (the Chairman of Foreign Relations Committee of Fraction "Citizens' Union") actively pressed for the inclusion of the Draft Law of Georgia "On Amendments and Addenda to the Law of Georgia "On Veterinary Medicine" on the agenda of the December 25 Parliamentary Session.

The December 25 session, however, did not bring the draft law to a vote, choosing instead to consider the law by the usual procedure. Therefore, it can be expected that the draft law will be included early on the agenda of the next regular session of the Parliament that will open on the first Tuesday in February, 2003.

It is clear that the insistence on the simplified procedure for adoption will not give time for a full discussion of the Committee's amended draft. The regular procedure should be followed and full weight be given to the opinion of all interested parties.

Article 13 of the Draft Law as amended by the Committee specifies the structure of State Veterinary Service, including the services that were expected to have been privatized once the reform had been accomplished (laboratories, as well as Veterinary units at markets and fairs). The original version of the Draft Law did not specify the structure of the Department at all. The new version of the Draft Law works out the details of the structure of the Veterinary Department so that, should the amended version become law, it would be impossible to carry out future reorganization and structural changes within the Veterinary Department (and so within the Ministry's several inspections and food safety services, which the MAF proposes to simplify and unify) without amending the Law.

The amended version of the Draft Law makes it impossible to reform and reorganize veterinary medicine by specifying that the economic and production functions of the current State Veterinary Service remain governmental—Veterinary Department—activities. These amendments contradict the principal objective and the main sense of the Draft Law developed earlier and make passage of the Draft Law unreasonable.

It is essential to submit to the next Plenary Session of Parliament the original version of the Draft Law that had been agreed with the Ministry of Agriculture and Food of Georgia.

*Translated by Tiko Janashvili  
December 25, 2002  
Revised January 27, 2003*

**ANNEX 8. MAF ORDER ON STRENGTHENING WORK OF DISTRICT ADMINISTRATIONS OF  
AGRICULTURE AND FOOD**

**Ministry of Agriculture and Food of Georgia**

**Order No 2-36**

February 14, 2003

Tbilisi

**On Additional Measures to Improve the District Administrations of the Ministry of  
Agriculture and Food**

Despite the reforms that have been carried out, the district administrations of agriculture and food are not able to effectively carry out the responsibilities and duties set out in the legislation. Serious obstacles to the accomplishment of the tasks assigned by order number. 2-110 of July 10, 2001 of the Ministry of Agriculture and Food “On Strengthening the Coordination of the Activities of the District Services of the State Sub-Units of the Ministry by the Agricultural and Food Administrations,” hinder the successful implementation of the agrarian policy by the ministry in the country.

In order to increase the capacity of the major territorial units--the district administrations of agriculture and food--to satisfactorily accomplish their assigned duties, to harmonize the activities of the different services within the existing district administrations, to strengthen coordination, and considering the leading role and responsibilities of the district administrations of agriculture and food in these activities,

I order:

1. The Ministry of Agriculture of the Autonomous Republic of Adjara, the state agriculture and food departments of the Autonomous Republic of Abkhazia and the district administrations of agriculture and food are:
  - a) To develop and carry out appropriate activities to improve the fulfillment of tasks assigned by legislation, to increase the responsibility of the employees of the administrations and to strengthen their functioning during implementation of reforms and national agrarian policy in the districts;
  - b) To carry out overall coordination of the district branch services within the system;
  - c) To listen to reports about activities during the economic year by the district services of the subordinated units of the ministry during each year strictly following the previously elaborated schedule and to develop measures for upgrading their further activities;

- d) To control the implementation of the tasks indicated in order No.2-101 of July 23, 2002 of the Ministry of Agriculture and Food and instruction No. 847 of June 22, 2002 of the president of Georgia “About Violations Found During Utilization of the Unified Land Fund In 1995-2000 and Measures to Eliminate these Violations.”
  - e) To improve habits of work discipline, to maintain systematic control over the timely and effective fulfillment of tasks included in the decrees and letters of the Ministry. To discuss cases of late or incomplete fulfillment of tasks assigned or gross misconduct and to develop mechanisms for punishment.
  - f) To reports on July 15 and January 15 of each year about the process of task fulfillment.
2. The administrative staff of the organizations and state subordinated units of the Ministry are:
- a) To agree on issues of recruitment and dismissal of the heads of the district services with the district administrations of agriculture and food.
  - b) To forward a copy of all materials received (decrees, instructions, recommendations and other) to the district administrations of agriculture and food; and to request that the heads of the district administrations sign off on each business document received from district services.
  - c) To agree, as appropriate, on all measures that are to be taken in the districts, with the district administrations of agriculture and food before presenting them to the services.
  - d) To receive quarterly and monthly reports about activities of the district services only after the heads of the district administration of agriculture and food sign off on them.
  - e) To insure distribution of the instructions in this decree to units subordinated to them within 10 days.
3. The district *gamgeobas* are:
- a) To discuss periodically the activities of the administrations of agriculture and food, to facilitate the fulfillment of the responsibilities included in the regulations, and in case of need provide an additional full time position or positions.
  - b) To include in the local budget:
    - b.a) Appropriations of funds necessary to carry out measures for protection and improvement of soil fertility.

b.b) Appropriation of 5 percent of lease payments from the funds to be reserved for the administrations of agriculture and food to monitor fulfillment of the terms of the leasing agreements and to cover land leasing expenditures in accordance with point 8 of instruction No. 847 of July 22, 2002 of the president of Georgia.

4. Order No. 2-110 of July 10, 2001 of the minister of agriculture and food of Georgia is annulled.
5. N. Mamaladze is to monitor the implementation of this order.

David Kirvalidze (Signed)

*Translator: Natia Gabelia*

*Date: April 15, 2003*

**ANNEX 9. INTERNAL CONTROL UNIT REPORT ON USE OF “SPECIAL FUNDS” FROM 2002  
BUDGET**

To David Kirvalidze  
Minister of Agriculture and Food

From Gia Kobakhidze  
Head of the Internal Control Department

**Report**

Dear Mr. Kirvalidze,

On the basis of your order No.159m of December 17, 2002, we were assigned to examine the accumulation and appropriate utilization of special funds in 2002 of the Veterinary Department, the Amelioration Systems' Management Department and the Plant Protection Department of the Ministry of Agriculture and Food of Georgia. We visited several districts of Georgia to accomplish this task.

*Amelioration Systems*

1. We examined the accumulation and appropriate utilization of special funds of the Samtredia Amelioration System Administration. The following was found:

The plan was GEL 12,000. Actual income amounted to GEL 12,000. Since the Administration had previously transferred an excess to the budget, VAT of GEL 2,000 has been paid.

The following amounts were spent from this 12,000 GEL:

Profit tax transferred to the budget	118
Tax on economic activity transferred to the budget	51
Part of benefit transferred to the Veterinary Department	71
Labor costs paid	3,168.50
Payroll	982
Business trips	335
Phone bills	530
Construction materials	2,650
Fuel and lubricants (there are no documents as appropriate attached necessary for annulling the oil expenditures)	4,095.50
Total	12,000

2. Tskaltubo-Bagdadi Amelioration System Administration. The plan for special funds in 2002 was GEL 5,180 in water fees. As of January 1, 2002, GEL 2,419 remained on the administration's account. As of December 16, 2002, revenues amounted to GEL 3,683, totaling with the remainder GEL 6,102.

Cash expenditures were GEL 4,715 for:

Cleaning of fuel channels. There is no appropriate documentation for business trips, needed to prove the claimed fuel expenses	2,437
Natural resources fee	100
Various goods and services	2,178
Remaining on account as of December 17, 2002	1,387

3. The Zestaphoni Amelioration System Administration had a plan for special funds of GEL 1,500. According to the Veterinary Department GEL 19,998 needs extra explanations. Actual receipts were GEL 15,446. Funds were spent to repair hydro-technical facilities. The fund includes GEL 1,680 for labor remuneration.

4. The breakwater constructions of the Kolkheti Administration and the Enguri-Ochkhomuri Drainage System Administration did not have a plan for special funds. So they did no work. This is shown by special documents attached.

5. The Khoni Amelioration System Administration had a plan for special funds for 2002 of GEL 12,083 from flush water supply. Flush water was actually supplied in amount of GEL 10,111. The funds have been completely spent.

channel cleaning	8,250
Fee for natural resources fee	88
other expenditures	1,173
Remaining in account	600

6. Administration of Kaspi Amelioration Systems had a plan for special funds of GEL 47,796. Income was GEL 45,868. Most of this fund was spent maintaining hydro-technical facilities.

labor remuneration	6,668
natural resources fee	2,000
income tax	3,500
office expenditures	1,779
rehabilitation of the West Ashuriani Pumping Station and to repair channels	25,086
Grakli hydrotechnical works	2,409
Tedzmi hydrotechnical works	4,426

The examination of documents is not complete. Invoices are not attached to purchase reports.

7. The Tashiskari Irrigation System Administration. The plan of special funds was GEL 44,404. Actual income amounted to GEL 29,471.

Expenses were:

VAT	2,884
natural resources fee	160
labor remuneration	2,957
fuel	18,877
tires	3,312
communal expenditures (firewood purchased)	600
office expenditures	681

In this case, there are no invoices for income tax or documents to prove business trips necessary for annulling the fuel expenditures.

8. The Tiripphon-Saltvisis Irrigation System Administration had a plan for special funds of GEL 64,000 for 2002. Actual receipts were GEL 43,100.

The income covered expenditures as follows:

income tax	GEL 6,500
natural resources fee	GEL 1,100
other organizational (administrative) expenses	GEL 12,400
cleaning channels	GEL 14,600
maintaining hydro-technical works	GEL 8,500

In this case income tax invoices are again missing.

9. The Gardabani Irrigation System Administration had a plan for special funds of GEL 215,000 for 2002. Actual income was GEL 209,748, including GEL 189,716 from the Azeri Republic.

GEL 19,540 came from fees for water supplied to the local population. GEL 492 had remained as of January 1, 2002.

The funds generated were spent as follows:

labor remuneration	20,109
income tax	3,085
social insurance	6,477
health insurance	923
employment fund	236
bank service charges	289
office expenses	750
transferred to Ltd “Enguri” for repairing the main channel	70,940
transferred to Ltd “Contractor 80”	4,000
project-drafting expenses	80,500
transferred to the Construction and Installation Administration	3,000
repayment of old debt	950
expenses to which no appropriate documents were attached to prove the business trips and justify the fuel expenses	15,424
purchasing materials for Mzianeti entity	60,800
natural resources fee	3,000
auto parts	2,400
to the Hygrometry	3,000
Total	204,311

In addition, the act of the Exploitation Commission on the work done to repair the water receiving facilities of the Gardabani main channel and drainage collector shows “repair of extinguishing well” as work done. The act is signed by P. Zhgenti, Deputy Head of the Department, V. Kiknadze, the Head of Contracting and Purchasing Administration, T. Kherkheulidze, the Head of the Department of Water Management and Control, T. Kebuladze, the Director of the Ltd “Project Design and Technology Bureau,” B. Charkseliani, the Head of the Irrigation Systems Administration of Gardabani, S. Telia, the Director of Ltd “Enguri”, R. Janelidze, Manager of Activities of Ltd “Enguri.” Upon visiting this facility we found that no extinguishing well had been built at all.

10. Bolsnisi Amelioration System Administration worked out a plan for special funds of GEL 17,807 for 2002.

Actual expenditures were GEL 23,231, including:

service charges for land and water supplies	13,440
paid on contracts	2,624
labor expenses	6,667

11. The Marneuli Amelioration System Administration planned to receive GEL 57,106 from water supply services in 2002. Actual income was GEL 35,317.

These funds were spent for:

materials	13,182.40
fuel	25,087.30
(invoices needed to justify these fuel expenses were not presented)	
office expenses	695.2
communal expenses	766
VAT	450
natural resources fee	1,750
bank interest	50.88
Total	41,981.78

12. The Alazani Irrigation System Administration worked out a plan for special funds for 2002 of GEL 101,438. Income received was GEL 78,928.

GEL 79,622 was spent, including:

fuel costs	28,891
purchasing materials	22,580
VAT	14,511
transferred to the department on the basis of a letter	10,865
labor remuneration and budget tax	2,775

We were unable to look at any documents. The accountant explained that they had been taken by the Tax Inspection.

13. The Dedopliskaro Amelioration System Administration received GEL 12,478 in 2002.

These funds were distributed for:

Wages and salaries	2,396
Taxes and employer contributions	913
Office expenditures	1,020
Communal expenses	180
Transportation and technical service expenses	522
Fuel and lubricant materials	2,195
Driver salary	1,422
Subsidiary farm costs	624
Medicines and disinfectants	208
Purchased inventory	200
Forage and compound feed purchases	216
Land fee	2,754
Remaining in the account as of January 1, 2003	452

14. The Lagodekhi Amelioration System Administration had remaining in its account GEL 3,937 as of January 1, 2002. The plan of special funds was GEL 16,000 for 2002. During the year, the funds were expended for:

in the first quarter	6,900
including GEL 3,740 for purchasing a “Niva” automobile	
in the second quarter	2,000
for purchasing fuel and lubricants	
in the third quarter	2,250
including materials, wages and office expenditures,	
in the fourth quarter	4,227
Total	15,377.50

15. The Kvemo Samgori Irrigation System Administration had a plan for special funds of GEL 29,640 for 2002. The actual receipts were GEL 24,420, including expenses of:

fuel	12,320
spare parts	1,800
natural resources fee	1,000
wages	9,300

There are no business trip documents needed to justify the fuel expenditures.

16. Zemo Samgori Irrigation System Administration worked out a plan for special funds of GEL 45,332 for 2002. Actual income was GEL 38,545.

Expenditures totaled GEL 38,545, including:

wages	9,573
fuel	12,630
natural resources fee	1,500
VAT	2,775
other expenditures	219
wages and salaries	11,848

The VAT invoices are incomplete. Moreover, there are no documents to justify the fuel expenses.

17. The Fonichala-Teleti and Tbisi-Kumisi Irrigation System Administration had a special funds plan of GEL 15,575 for 2002. Actually received funds amounted to GEL 15,297.

These monies were spent for:

Repairing no 19 distributor of Tbsi-Kumisi hydro-technical facilities	1,386
Repairing no 2 distributor of Tbsi-Kumisi hydro-technical facilities	2,189
Cleaning Fonichala main channel	1,989
Repairing no 19 distributor of Tbsi-Kumisi hydro-technical facilities	3,000
natural resources fee	751
Paying off wage arrears	1,090
Work done by associations	4,892

18. The Mtsketa Amelioration System Administration had developed a special-funds plan of GEL 19,376 for 2002. Actual income was GEL 19,375. As of now, expended funds amount to GEL 19,369, covering:

wages	7,051
fuel	3,000
(Only the expenditures reports are attached, without specially written out VAT invoices. There are no documents showing business trips needed to justify the fuel expenses)	
materials (steel pipes)	5,589
(expenditure reports are attached without special VAT invoices)	
equipment repairs	3,00
other expenditures	74
natural resources fee	655

The VAT invoices are incomplete.

19. The Inter-District of Pasture Irrigation Systems Administration had a plan of special funds for 2002 of GEL 63,850. Actual income was GEL 51,000.

Expenses were GEL 50,971, including:

wages	2,640
fuel and lubricants	18,514
(There are no special VAT invoices. or documents confirming the business trips needed to justify the fuel expenses.)	
materials (steel pipes)	5,220
(In this case as well documents are missing. In particular there are no VAT invoices attached.)	
construction materials	11,604
(without VAT invoices)	
other expenses	18,213

*Veterinary Department*

Examination of the accumulation of special funds and their appropriate use by the district stations and labs within the organization of the Veterinary Department found the following:

1. The Qutaisi District Veterinary Laboratory had a plan for special funds of GEL 8,379 for 2002. Income was GEL 6,170.49. Total expenses were GEL 5,932.85, including:

wages	1,412.40
employer contribution	548,45
business trips	563
office expenses	315
transport and testing of technical equipment	810
transferred to the Veterinary Department	1,155

2. The Kutaisi Veterinary Administration had a plan for special funds of GEL 13,000 for 2002.

Expenditures amounted to GEL 12,190, including:

wages	623
employer contributions, social security fund, employment fund, medical insurance fund	1,790
business trips	329
other goods and services,	7,895
office expenses	3,113
communal services	332
transport and testing of technical equipment	3,450
transferred to the Veterinary Department	100
VAT	1,553

3. Veterinary Service of Zugdidi had a plan for special funds of GEL 1,500 for 2002. The actual income was GEL 860. Total expenditures were GEL 391, including:

wages	76.92
premiums	165
office expenses	80
to the Veterinary Department (20%)	69
remainder as of December 19, 2002	469

4. The Zugdidi District Veterinary Laboratory developed a plan for special funds of GEL 16,107. The actual income was GEL 12,868.

Expenditures included:

wages	1,386
transportation	1,209
business trips	913
social contributions	655
health insurance	63
employment fund	16
income tax	151
bank charges	18
to the Chamber of Control	366
to the National Center	2,267
to Zugdidi station	422
qualification improvement center,	80
maternity leave	165
Total	11,913

There are no VAT invoices for fuel purchases, and income tax had not been deducted from employees' wages.

5. The Senaki District Veterinary Station had a plan for special funds of GEL 1,622 for 2002. As of January 1, 2002, GEL 748.44 remained on the account. GEL 656 was accumulated during eleven months and spent as follows:

VAT	83
to the Veterinary Department (20%),	70
premia	88.60
business trips	58
office expenses	80
total	1,052.46

6. The Photi Veterinary Administration had a plan for special funds GEL 23,900 for 2002. Actual income was GEL 16,101, covering the following expenditures:

to the Veterinary Department (20%)	1,880
income tax	414
social insurance	280
business trips	160
office expenses	1,428
communal services	672
transportation	4,400
repairs	5,991
"13th month"	940
Total	16,165

7. The Samtredia Station for Fighting Animal Diseases had a special-funds plan of GEL 300. Actual income was GEL 417.39. GEL 365.14 has been spent. GEL 50 has been transferred to the Veterinary Department. The remainder on the account is 2.25.

8. The Sachkere Station for Fighting Animal Diseases had GEL 84 remaining on its special funds account as January 1, 2002. During 2002, income was GEL 1,033.

GEL 924 has been expended, including:

business trips	251
VAT	252
office expenses	321
transport expenses	100
remaining on account	109

9. The Zestaphoni Station for Fighting Animal Diseases had a plan for special funds of GEL 1,000 for 2002. The station accumulated GEL 440. Twenty percent of that amount was transferred to the Veterinary Department. The balance was spent on office expenses.

10. The Zestaphoni International Veterinary Laboratory had a plan for special funds of GEL 10,546, but income was GEL 6,532 for 2002. These funds were transferred to the Veterinary Department and spent on wages, business trips and office expenses.

11. The Khashuri District Veterinary laboratory accumulated special funds of GEL 7,893 in 2002.

The funds covered the following expenditures:

wages	2,453.72
taxes and employer contributions	1,173.24
business trips	398
office expenses	1,265
communal services	525
financial support	210
Veterinary Department (20%)	966
tax on economic activity,	70
road fund,	103
total	7,163
remainder on account	734.14

12. The Gori Veterinary Station accumulated special funds of GEL 82. GEL 22 was used for office expenses and the balance remains in the account.

13. The Gori District Veterinary Laboratory had a plan for special funds of GEL 11,372 for 2002. Actual income was GEL 10,557.

Expenditures included:

VAT	1,383
transferred to the Veterinary Department (20%)	1,774.95
wages	2,145
social contributions	1,160
health insurance	65
employment fund	21.45
training courses	240
business trip	674
Central Union	321
office expenses	401.50
phone cards	330
fuel and auto parts (GEL 620 invoices are attached for fuel)	770
gas	85
signboard	40
copier expenses	40
electricity	17
mobile phones	240
window glass and roofing material	140
wood for laboratories	360

A fax was also purchased for GEL 300 and delivered to the Veterinary Department. The laboratory paid GEL 1,383 for VAT, but this amount should not have been paid, as the turnover was GEL 10,557. At the demand of the Treasury, this amount has been transferred because it was fixed in the Expenditures List of the Veterinary Department.

14. The Kaspi Station Against Animal Diseases accumulated GEL 2 for 2002. So, no funds were expended.

15. The Kaspi District Veterinary Laboratory developed a plan for special funds of GEL 100. Actual income was GEL 73.80. Twenty percent has been transferred to the Veterinary Department. The balance remains in the account.

16. The Rustavi Veterinary Administration accumulated GEL 17,325.20 as special funds in 2002.

Expenditures were GEL 16,292.92, including:

gasoline	2,758.39
diesel fuel	500.50
phone bills	2,195.13
mono cards	870
auto parts and vehicle inspection	815
tables and chairs	1,197.60
to the Veterinary Department (20%)	2,739
income tax (2001)	611
VAT	612
for economic activities	96

Despite the enormous amount of fuel consumed, the Administration had no appropriate transportation documents.

17. The Marneuli District Veterinary Laboratory had a plan for special funds of GEL 4,656 for 2002. Actual income was GEL 3,043.60.

Expenditures included:

other goods and services	2,272.04
Including:	
office expenses	920.04
communal services	1,352
to the Veterinary Department (20%)	608.72
VAT	158
bank service	3.87

The laboratory had no appropriate transportation documents or invoices.

18. The Gardabani Veterinary Service had GEL 1,269 remaining on account as of January 1, 2002. Annual income was GEL 3,191, totaling with the remainder GEL 4,460.

Expenditures amounted to GEL 4,339, including:

wages	140
wage supplements	140
taxes and employer contributions	561
business trips	1,251
office expenses	889
communal services	276
to the Veterinary Department 20%	950
income tax	272
Remainder on the account	121

19. The Gardabani Veterinary Laboratory accumulated GEL 307 as special funds in 2002.

These funds were expended for:

business trips	40
for office expenditures	56
communal service	7
to the Veterinary Department (20%)	68
Total	171
Remainder on the account	136

20. The Bolnisi Veterinary Station anticipated GEL 500 in special funds for 2002, but the plan was not fulfilled. The explanatory report of Chief Veterinarian G, Talakvadze is attached.

21. The Sagarejo Veterinary Laboratory accumulated GEL 1,477 in special funds in 2002.

Expenditures amounted to GEL 1,288, including:

assistance	252
taxes and employer contributions	202
social security funds	192
employment fund	2.52
health insurance fund	7.56
business trips	160
office expenses	13.62
communal services	85.17
to the Veterinary Department (20%)	154

21. Sagarejo Veterinary Station planned GEL 500 in the special funds. As of January 1, 2002, GEL 4.28 remained. Income of GEL 236.25 was spent for:

Business trips	20
Phone bills	41.63
transferred to the Veterinary Department	178
remainder on the account	0.90

22. The Gurjaani District Veterinary Laboratory had a plan for special funds of GEL 1,924. Actual income was GEL 1,643.44.

Expenditures included:

wages	126.43
business trips	546
office expenses	584.19
communal services	78
transferred to the Veterinary Department	308
Total	16,420.62

The Laboratory Head has presented a report to Veterinary Department Head.

23. The Gurjaani Veterinary Station had GEL 334.30 in special funds remaining as of January 1, 2002. The plan for 2002 was GEL 742, which was almost reached. Actual income was GEL 1,076.30.

Expenditures included:

chancellery expenses	328
office expenses	274
communal services	30
business trips	237
transferred to the Veterinary Department (20%)	205
bank charges	1.90
Total	1,075.90
Remainder on the account	0.40

24. The Lagodekhi Veterinary Laboratory accumulated GEL 492,70 in special funds in 2002, including GEL 175,40 in January, GEL 165 in February and GEL 152,30 in March.

Expenditures included:

office supplies	84.60
production expenses	191,30
business trips	136.40
financial support	50
transferred to the Veterinary Department (20%)	30

25. The Lagodekhi Station for Fighting Animal Diseases expected GEL 2,000 in special funds for 2002. Actual income was GEL 1,100.

Expenditures included:

to the Veterinary Department (20%)	220
transportation,	350
office supplies	200
business trips	100
wages	200
tax on economic activity	30

26. The State Border and Transportation Veterinary and Sanitary Supervision Administration accumulated GEL 120,000.

Expenditures amounted to GEL 108,434, including:

wages	7,594
social contributions	1,988
business trips	390
VAT	16,198
office expenses	19,586
communal services	12,446
transportation	11,242
20% transferred to the Veterinary Department	16,170
other expenses	1,141

27. The Scientific Control Center of Veterinary Medicines of Georgia had GEL 26 remaining on account as of January 1, 2002. In 2002, the center expected GEL 21,436 in special funds. Actual income amounted to GEL 21,003.38. During the year, expenditures amounted to GEL 21,029, which includes:

social contributions	1,620
to the Veterinary Department (20%)	3,250
VAT	3,251
assistance	6,090

communal services	333
business trip	3,732
office expenses	2,753

28. The Tbilisi Veterinary Union had a plan for special funds of GEL 75,000 for 2002. Actual income was GEL 58,507. Cash expenditures were GEL 60,805, including:

wages	10,224
social contributions	7,352
business trips	685
office expenses	12,130
communal services	1,988
transportation expenditures	4,859
capital expenses	5,490
other expenditures	2,360
transferred to the Veterinary Department (20%)	6,500
contributed to the budget	9,216

#### *Plant Protection Service*

During examination of the accumulation and appropriate utilization of the special funds of the Plant Protection Service, it was found that:

The plan for special funds of the Plant Protection Service in 2002 was GEL 584,971, while actual income was GEL 493,970. Expenditures were made as follows:

transferred to the budget	71,783
wages	130,207
employer contributions	41,961
business trips	3,711
total other goods and services	177,763
including	
office expenditures	33,430
communal expenditures	22,641
soft inventory and uniforms	68,890
transport expenses	7,104
other expenditures	45,698
“Niva”, mobile phones, building repairs, etc.	48,818
Total	474,243
remaining on the account	19,727

The State Inspection of Phyto-Sanitary Quarantine of Abkhazia received special revenues of GEL 8930.57 for 2002. Expenditures amounted to GEL 7001.25, including:

financial promotion	2,123.58
social insurance	898
health insurance	73
employment fund	23

income tax	65
14 mono cards	420
office rent (12 months)	720
purchase of mobile phones	230
office supplies, printing and bank commissions	589.45
purchase of computer	1,249.22
purchase of TV	420
business trips	90
remainder on the account	1,929.32

Attachments: 167 pages.

Sincerely yours,  
Gia Kobakhidze

*Translated by Natia Gabelia  
03/29/03*

**ANNEX 10. MAF ORDER ON AUDIT OF FARMS SUBJECT TO DEPARTMENT OF  
LIVESTOCK BREEDING**

**Minister of Agriculture and Food of Georgia**

**ORDER  
Number 13-M**

**On the  
Creation of a Group to Examine the Financial and Production Activities of the  
Organizations of the Cattle Breeding Department of the Ministry of Agriculture and  
Food of Georgia**

February 14, 2003

Tbilisi

In compliance with Clause 24 of the Charter of the Ministry of Agriculture and Food of Georgia approved by Presidential Decree Number 670, dated November 17, 1997,

I ORDER:

1. To create a Group to examine the financial and productive activities of the organizations of the Cattle Breeding Department of the Ministry of Agriculture and Food of Georgia with the following composition:

Gia Kobakhidze	Head of the Ministry Department of Internal Control
Vasil Chigladze	Financial Analyst of the RAPA project
Levan Khundadze	Financial Analyst of the RAPA project
Irakli Inashvili	Financial Analyst of the RAPA project
Irakli Donjashvili	Lawyer of the RAPA project

2. To assign this Group to visit the following organizations of the Cattle Breeding Department to examine their financial and productive activity during the period from January 1, 2000 through January 1, 2003:

- a) Dmanisi pedigree farm the Caucasian Tsabla cow breeding;
- b) Akhlagori pedigree farm of indigenous populations of cow husbandry;
- c) Trialeti pedigree farm of the Caucasian Tsabla cow breeding;
- d) Khobi pedigree farm of the Mingrelian Red cow breeding;
- e) Kvemo Alazani pedigree farm of the Tushian sheep breeding;
- f) Terjola pedigree farm of the Imeretian sheep breeding;
- g) Ckhorotsku pedigree farm of the Mingrelian goat breeding;
- h) Kvareli pedigree farm of the Kakhetian pig breeding;
- j) Central station of the pedigree farming and artificial insemination;
- i) Javakheti regional station of the pedigree farming and artificial insemination;
- k) Gurjaani regional station of the pedigree farming and artificial insemination;
- l) Kartli regional station of the pedigree farming and artificial insemination;
- m) Kartli regional station of the pedigree farming and artificial insemination;
- n) Dusheti regional station of the pedigree farming and artificial insemination;
- o) Samtredia regional station of the pedigree farming and artificial insemination;
- p) Senaki regional station of the pedigree farming and artificial insemination;

- q) Pedigree livestock selection center;
- r) Specialized laboratory for cattle breeding.

3. Duration of the examination is to be 25 days, from February 17, 2003 through March 13, 2003.
4. R. Lomidze, Head of the Accounting Department is to reimburse the costs of G. Kobakhidze's business trip.
5. Deputy Minister G. Tkeshelashvili is to monitor the fulfillment of this Order.

David Kirvalidze [signed]  
Minister

**ANNEX 11. DOCUMENTS PREPARED BY THE PROJECT DURING THE REPORTING PERIOD**

Series	Title	Author(s)	Date	Language(s)
Draft Law or Regulation	MAF Order 2-11 On Creation of a Working Group Involved in Development of Partnership and Cooperation Matters Between Georgia and European Union	Dangadze, Givi Merabishvili	1/20/2003	Georgian
Draft Law or Regulation	MAF Order 2-39 "On Use of the Japanese Program 2KR Funds Deposited in the Counterpart Fund	Misheladze	2/24/2003	Georgian
Draft Law or Regulation	MAF Order 2-40 "On amendments to order 2-164 of 11/19/02 of the Minister of Agriculture and Food of Georgia"	Matiashevili	2/24/2003	Georgian
Draft Law or Regulation	MAF Order number 25-M "On creating a group of controllers to examine the amount of the State owned wine, wine materials and brandy spirits remaining and their book value"	Misheladze	3/28/2003	Georgian
Legal Opinion	Information concerning first stage implementing measures in the veterinary field for harmonization of Georgian legislation with EU regulations and directives. Here are short list in the field of animal health and zootechnics.	Dangadze	1/16/2003	Georgian
Legal Opinion	About measures, which shall be conducted for harmonization of Georgian legislation to the EU directives and regulations in the field plant varieties protection, quality control of seed and seedlings.	Dangadze; Z.Chikadze	1/23/2003	Georgian
Legal Opinion	Information about need for utilization in the country of EU directives and regulations	Dangadze; T.Kvavadze	1/24/2003	Georgian
Legal Opinion	Legal Review of Draft Law "On addenda and amendments to the Law of Georgia 'On Veterinary Medicine'"	Matiashevili, Korakhasvili	2/28/2003	Georgian, English
Legal Opinion	System of institutions in the selective achievements issues	Matiashevili	3/25/2003	Georgian, English
Letter	Draft Letter to President Shevardnadze on agricultural subsidies in OECD countries	Didebulidze, Tamaz Kunchulia	1/31/2003	Georgian
Letter	Draft letter for Torben Holtze on Veterinary Department	Van Atta	2/3/2003	English
Other	Strategy of Georgia's Agriculture Sustainable Development and Food Security in 2003-2005	Didebulidze	1/6/2003	Georgian
Other	Comments on draft MAF strategy	Shavgulidze	1/13/2003	English
Other	Protocol of the meeting of working group of Georgia - EU partnership and collaboration issues	Dangadze	1/16/2003	Georgian
Other	Materials on Lucerne CIS-7 Conference for Minister	Didebulidze	1/17/2003	Georgian
Other	Georgian language summary of presentation: "World Bank and SPS (Sanitary and Phytosanitary)" Cees de Haan, Agriculture and Rural Department, World Bank, November 2002	Didebulidze	1/24/2003	German

Other	Annual Project inventory for USAID RCO		1/31/2003	English
Other	Memorandum on fulfillment of Benchmarks, Oct 2002-Jan 2003	Van Atta	1/31/2003	
Other	MAF Commission on Georgia's Agricultural Obligations - resolution	Korakhashvili	1/31/2003	
Other	Talking points for Minister at APLR Land Conference	Van Atta	2/26/2003	English
Other	Draft National Programme of Harmonization of Standards with European Union -- Agriculture	Dangadze, Vakhtang Marsagishvili, et al.	3/6/2003	Georgian, English
Policy Study	Formula-based approaches to tariff reductions: annotations	Didebulidze	1/2/2003	Georgian
Policy Study	Poverty Indicators of Georgia	Didebulidze	1/10/2003	Georgian
Policy Study	Summary: The low-income countries of the CIS: Progress and challenges in transition	Didebulidze	1/16/2003	Georgian
Policy Study	Briefing Note on US Millennium Challenge Account	Didebulidze	1/22/2003	Georgian
Policy Study	Draft WTO proposals	Shavgulidze	1/22/2003	English
Policy Study	Account of Bread Products for Security council of Georgia	Korakhashvili	1/31/2003	
Policy Study	Agrifood Sector Taxation in Georgia and Neighboring Countries	Shavgulidze	2/28/2003	English
Policy Study	Survey of World Silk Market and Prospects for Georgian Silk	Didebulidze	3/14/2003	Georgian
Policy Study	World Silk Market and Prospects of Silk Production in Georgia	Didebulidze	3/17/2003	Georgian
Policy Study	EU Regulations for Protected Geographical Indications and Designation of Origin	Didebulidze	3/17/2003	Georgian
Policy Study	EU regulations for protected geographic indications and designations of origin	Didebulidze	3/17/2003	Georgian
Policy Study	Draft Strategy for the sustainable development of agriculture and the food security of Georgia	Didebulidze, Tamaz Kunchulia, Roman Kakulia	3/20/2003	Georgian, English
Statistics	Statistical Data on subsidies in OECD countries	Didebulidze	3/21/2003	Georgian
Work Plan	Project Phase-out Plan	Van Atta	3/31/2003	English

**ANNEX 12. PROJECT TRANSLATIONS DURING THE REPORTING PERIOD**

<b>Date</b>	<b>Title</b>	<b>Author</b>	<b>Requested by</b>	<b>Translator</b>	<b>Original language</b>	<b>Target language</b>
1/8/2003	Resolution of the Parliament of Georgia "On Establishing the State Department for the Land Management" November 13, 1996, N 488-Is		Don Van Atta	Zurab Bregvadze	Georgian	English
1/9/2003	Addenda and Amendments to the Law of Georgia on Veterinary Medicine, revised			Tiko Janashvili	Georgian	English
1/9/2003	MAF Monday planning meeting minutes		Don Van Atta	Rusudan Arveladze	Georgian	English
1/11/2003	Strategy development		Don Van Atta	Tiko Janashvili	Georgian	English
1/12/2003	Note and Comments on Wheat Sector of Georgia			Lisa Basishvili	English	Georgian
1/13/2003	about the funds to be used from Counterpart Fund		Don Van Atta	Zurab Bregvadze	English	Georgian
1/15/2003	USDA Maintains dockage standard for wheat food aid purchases			Tiko Janashvili	English	Georgian
1/16/2003	MAF Monday planning meeting minutes		Don Van Atta	Rusudan Arveladze	Georgian	English
1/17/2003	Letter to Grigolia (Deputy Minister of Agriculture and Food)	Teimuraz Chelidze	Don Van Atta	Rusudan Arveladze	Georgian	English
1/20/2003	Decrees about field visit and decree about amendment			Natia Gabelia	Georgian	English
1/20/2003	Letter to UPOV Secretary General Jordens	David Shervashidze		Tiko Janashvili	Georgian	English
1/20/2003	Letters to Nino Burjanadze about Veterinary Law			Natia Gabelia	Georgian	English
1/21/2003	Letter about translation of Standards	Teimuraz Chelidze	Don Van Atta	Nino Beradze	Georgian	English
1/21/2003	Codex Standard for Butter : A -1-1971, Rev. 1-1999			Tiko Janashvili	English	Georgian
1/22/2003	Codex Standard for Evaporated Milks: A-3-1971, Rev. 1-1999			Tiko Janashvili	English	Georgian
1/23/2003	MAF Monday planning meeting minutes		Don Van Atta	Rusudan Arveladze	Georgian	English
1/24/2003	Memo to Giorgi Tkeshelashvili, Deputy Minister	Tengiz Chikvaidze, Head of the Department of Amelioration Systems Management	Don Van Atta	Lika Margania	Georgian	English
1/24/2003	Order by the Minister of Agriculture #2-11, dated January 20, 2003		Don Van Atta	Lika Margania	Georgian	English
1/24/2003	Charter on the Rule of Leasing Agricultural Land Under the State Ownership		Don Van Atta	Nino Beradze	Georgian	English
1/25/2003	Codex Standard, Section 3: Labeling and Claims			Tiko Janashvili	English	Georgian

1/27/2003	1. Presidential Instruction No. 348, the Charter of the Farmers Consulting and Information Center; 2. Presidential Instruction No. 1439 about creation of the National Committee of FAO		Don Van Atta	Nino Beradze	Georgian	English
1/28/2003	Memo on Gurchiani case	G. Misheladze	Don Van Atta	Lika Margania	Georgian	English
1/28/2003	Order of the Minister of Agriculture, N2-185, Dec. 19, 2002		Don Van Atta	Zurab Bregvadze	Georgian	English
1/28/2003	Order of the Minister of Agriculture, N2-186, Dec. 19, 2002		Don Van Atta	Zurab Bregvadze	Georgian	English
1/28/2003	Table for Two Draft Laws on Addenda and Amendments to the Vet Law			Tiko Janashvili	Georgian	English
1/28/2003	Georgian bee (from original to primitive variety)			Zurab Bregvadze	Georgian	English
1/31/2003	Terms of reference for parliamentary liaison	Don Van Atta		Natia Gabelia	Georgian	English
2/1/2003	Commercial proposal			Natia Gabelia	Georgian	English
2/1/2003	MAF Monday planning meeting minutes		Don Van Atta	Rusudan Arveladze	Georgian	English
2/3/2003	Codex Standard for Wheat Flour, CODEX STAN 152-1985 (rev. 1-1995)		Don Van Atta	Zurab Bregvadze	English	Georgian
2/5/2003	MAF Monday planning meeting minutes		Don Van Atta	Rusudan Arveladze	Georgian	English
2/7/2003	Opinion about "Gulani" court case	Mamuka Matiashvili	Don Van Atta	Natia Gabelia	Georgian	English
2/7/2003	Comment on licenses and permissions	Givi Merabishvili	Don Van Atta	Natia Gabelia		
2/7/2003	Comparison of the current "Veterinary Law of Georgia" with amendments proposed by the Agrarian Committee of the Georgian Parliament.		Don Van Atta	Lisa Basishvili, Natia Gabelia	Georgian	English
2/10/2003	Contract Between RAPA Project and Teimuraz Magalashvili			Tiko Janashvili	English	Georgian
2/11/2003	Note about examination of special funds			Natia Gabelia	Georgian	English
2/12/2003	Letter to Japanese Ambassador	Nugzar Mamaladze		Natia Gabelia		
2/14/2003	Letter to Mr. Plachta about Polish seed-potato			Natia Gabelia	Georgian	English
2/15/2003	MAF Monday planning meeting minutes		Don Van Atta	Rusudan Arveladze	Georgian	English
2/17/2003	Draft Order by the Minister of Agriculture and Food		Don Van Atta	Lika Margania	Georgian	English
2/18/2003	Veterinary Law Table (resumed)			Tiko Janashvili	Georgian	English
2/19/2003	Annex 4 to WR of Parliamentary Representative (Feb. 3-10)		Don Van Atta	Tiko Janashvili	Georgian	English
2/19/2003	Weekly Report of Parliamentary Representative (February 10-17, 2003)		Don Van Atta	Tiko Janashvili	Georgian	English

2/20/2003	Chart of Accounts	DAI	Tinatin Tivadze	Tiko Janashvili	English	Georgian
2/20/2003	Biography of Mamuka Mamaladze (Judge in Kutaisi District Court)		Don Van Atta	Lika Margania	Georgian	English
2/20/2003	Biography of Nugzar (Khuta) Mamaladze		Don Van Atta	Lika Margania	Georgian	English
2/21/2003	MAF Monday planning meeting minutes		Don Van Atta	Rusudan Arveladze	Georgian	English
2/22/2003	Annex 3 to WR of Parliamentary Representative (Feb. 10-17, 2003)		Don Van Atta	Tiko Janashvili	Georgian	English
2/24/2003	Order No. 2-40 on amending the order on coordination commission	Giorgi Misheladze		Natia Gabelia	Georgian	English
2/24/2003	Article in Dilis Gazeti - Why are Frozen Chicken Thighs Dangerous?	Tamar Bodokia	Don Van Atta	Lika Margania	Georgian	English
2/25/2003	Report to Kirvalidze, 21.02.2002	Roman Kakulia	Don Van Atta	Tiko Janashvili	Georgian	English
2/27/2003	Letter to Kirvalidze, Feb. 21, 2003	Giorgi Tkeshelashvili - Deputy Minister	Don Van Atta	Tiko Janashvili	Georgian	English
3/2/2003	Regulation of the Ministry	Vazha Tabatadze	Don Van Atta	Nutsa Amirejibi	Georgian	English
3/5/2003	Letter to Kirvalidze, Feb., 24, 2003	Don Van Atta		Tiko Janashvili	English	Georgian
3/5/2003	Schedule of Imereti Visit	Giga Kurdovanidze	Giga Kurdovanidze	Natia Gabelia	Georgian	English
3/10/2003	MAF Monday planning meeting minutes		Don Van Atta	Rusudan Arveladze	Georgian	English
3/11/2003	Letter to Beruchashvili on trade and economic relations between Georgia and Russia	David Grigolia - Deputy Minister	Don Van Atta	Nutsa Amirejibi	Georgian	English
3/11/2003	WR of Parliamentary Representative (Feb., 17-24, 2003) with 3 annexes		Don Van Atta	Tiko Janashvili	Georgian	English
3/12/2003	Letter to H.E. Mr. Torben Holtze	David Kirvalidze		Lika Margania	Georgian	English
3/12/2003	Ministerial Order No 2-17 on Establishment of the Center For Protection of the Rights of Plant Variety Breeders of Georgia - "Sakjishcentri"		Don Van Atta	Nutsa Amirejibi	Georgian	English
3/13/2003	WR of Parliamentary Representative (March 4-12, 2003)		Don Van Atta	Tiko Janashvili	Georgian	English
3/13/2003	Letter to Mr. Manuel Catalan Rodriguez	David Grigolia - Deputy Minister	Minister	Lika Margania	Georgian	English
3/17/2003	Ministerial Order No 2-18 on "Rules of Payment for Legal Protection and Authorization for Dissemination of Plant Varieties Presented to "Sakjishcentri"		Don Van Atta	Nutsa Amirejibi	Georgian	English
3/18/2003	Order on Payments by Saqjishtsenti and its Statute		Don Van Atta	Tiko Janashvili	Georgian	English
3/19/2003	MAF Monday planning meeting minutes		Don Van Atta	Rusudan Arveladze	Georgian	English
3/20/2003	Grape Vine Road "Sakartvelos Respublika", March 13,	Eduard Shevardnadze	Don Van Atta	Tiko Janashvili,	Georgian	English

	2003			Nutsa Amirejibi, Don Van Atta		
3/20/2003	The main directions of legal protection of plant varieties, seed and seedlings' production and sales activities	"Sakjishcentri" Director Z. Chikadze		Lisa Basishvili	Georgian	English
3/20/2003	The Order number 2-92 of the Minister of Agriculture and Food of Georgia on the tasks' implementation assigned by the Presidential Decree number 156 issued April 7 2002.			Lisa Basishvili	Georgian	English
3/24/2003	New Addenda and Amendments to the Law of Georgia "On Veterinary Medicine"			Tiko Janashvili	Georgian	English
3/25/2003	Weekly Report of Parliamentary Representative (March 4-21, 2003)		Don Van Atta	Tiko Janashvili	Georgian	English
3/25/2003	Order of the Minister of Agriculture and Food of Georgia On Approval of the Statute of "Samtresti"		Don Van Atta	Nutsa Amirejibi	Georgian	English
3/25/2003	System of institutions in the selective achievements issues	Matiashvili		Giorgi Dangadze	Georgian	English
3/26/2003	MAF Monday planning meeting minutes		Don Van Atta	Rusudan Arveladze	Georgian	English
3/26/2003	Legal review of draft Law "On Addenda and Amendments to the Law of Georgia "On Veterinary Medicine"	Mamuka Matiashvili, Avtandil Korakhashvili	Don Van Atta	Tiko Janashvili		
3/27/2003	Memorandum to Kirvalidze	Giorgi Tkeshelashvili - Deputy Minister	Don Van Atta	Nutsa Amirejibi	Georgian	English
3/27/2003	Letter to Kirvalidze	P. Naskidashvili	Don Van Atta	Nutsa Amirejibi	Georgian	English
3/29/2003	WR of Parliamentary Representative (March 21-28, 2003)		Don Van Atta	Tiko Janashvili	Georgian	English
3/29/2003	Report on field visit			Natia Gabelia	Georgian	English
3/31/2003	Instructions For Staff Recruitment	Vazha Tabatadze	Don Van Atta	Nutsa Amirejibi	Georgian	English

**ANNEX 13. MAJOR MEETINGS AND TRAVEL DURING THE REPORTING PERIOD**

1/17/2003	meeting with Ray Purcell, DFID advisor to state chancellery on administrative reform	RAPA office	Don Van Atta - Chief of Party	
1/22/2003	meet Philippa Bradford, World Food Program	RAPA office	Don Van Atta - Chief of Party	
1/22/2003	Agricultural Extension in Georgia	MAF	Alexander Didebulidze - Senior Analyst	
1/24/2003	review of MAF experience in administrative reform	Kirvalidze's office	Don Van Atta - Chief of Party, Bidzina Korakhashvili - Senior Analyst	David Kirvalidze - Minister - Ministry of Agriculture and Food, Ray Purcell - DFID Adviser - DFID, Alexander Tvalcherilidze - DFID
1/24/2003	cooperation on statistical work with WFP	WFP office, Tbilisi	Rati Shavgulidze - Analyst	Larry Dershem
1/30/2003	meeting with Paul Sommers on projected USDA activity	MAF office	Don Van Atta - Chief of Party	
2/3/2003	Government reorganization	State Chancellery	Don Van Atta, Bidzina Korakhashvili, Mamuka Matiashvili	Ray Purcell – DFID Consultant, Alexander Tvalcherilidze – DFID expert, Mike Garforth – WB Forestry Department Team Leader
2/4/2003	Meeting of Equipment (2KR) committee	Mamaladze's office, MAF	Alexander Didebulidze - Senior Analyst	
2/11/2003	UNOCHA discussion of Humanitarian Situation and Strategy - Food Security	Tbilisi Sheraton Metechi	Rati Shavgulidze - Analyst	David Kirvalidze - Minister - Ministry of Agriculture and Food; Will Bateson - SAVE
2/13/2003	Kirvalidze presentation of results of 2002	Hotel Marriott Tbilisi	Don Van Atta, Giga Kurdovanidze, Tinatin Tivadze	Michael Farbman, Gerry Andersen, Jeff Lehrer - USAID, Torben Holtze, Head of EC Delegation, Seamus O'Grady, EC FSP consultant, Lance Clark - UNDP ResRep
2/21/2003	Training: Workshop on Ministry of Finance reporting requirements	MAF	Otar Chigladze - financial specialist	MAF bookkeeping department
2/24-26/2003	South Caucasus Regional Land Policy Conference	Tbilisi, Sheraton Metekhi Hotel	Alexander Didebulidze - Senior Analyst	David Kirvalidze - Minister - Ministry of Agriculture and Food, Gerald R. Andersen - Director, Office of Economic Restructuring - USAID/Caucasus
2/24/2003	MAF Restructuring Commission meeting	MAF		
2/27/2003	Georgian NSC Secretary Japaridze speaks to AmCham Georgia	Tbilisi Marriott	Don Van Atta - Chief of Party	

3/6-7/2003	Kirvalidze visits Imereti	Imereti	Don Van Atta - Chief of Party; Giga Kurdovanidze; Tiko Janashvili - translator, David Beridze - Driver	David Kirvalidze - Minister - Ministry of Agriculture and Food; Nugzar Mamaladze; T. Shashishvili - Imereti governor
3/6/2003	Meeting with head of Sanitary inspection Nikoloz Shavdia on draft "Sanitary code of Georgia" and amendments and addenda to certain laws of Georgia.	Ministry of Health	Giorgi Dangadze - Lawyer	
3/12/2003	GEPLAC and harmonization of standards/legislation	MAF	Don Van Atta - Chief of Party, Giorgi Dangadze - Lawyer	Giorgi Tkeshelashvili, DM, Mike Hudson, GEPLAC team leader
3/13/2003	Training: Georgia's agriculture-related WTO commitments	Georgian MAF	Rati Shavgulidze - Analyst, Alexander Didebulidze - Senior Analyst	MAF staff, Ministry of Foreign Affairs
3/13/2003	Agricultural Education in Georgia	MAF	Alexander Didebulidze - Senior Analyst	Kote Khutsaidze
3/14/2003	Annual meeting of Georgian Academy of Agricultural Sciences	Tbilisi	Alexander Didebulidze - Senior Analyst	
3/14/2003	Visit to "Georgian Nuts" Processing Plant	Tbilisi	Don Van Atta, Lika Margania, Giga Kurdovanidze	Ambassador and Mrs. Richard Miles, Michael Farbman, David Kirvalidze, David Shervashidze, Gerald R. Andersen, Al Williams, Nana Adeishvili (CERMA), Will Bateson (SAVE)
3/17/2003	discussion of Codex work with SAVE, World Learning	World Learning office	Don Van Atta	Kevin Carew - World Learning CoP, Al Williams - USAID/Caucasus, Will Bateson - SAVE
3/19/2003	AmCham Roundtable	Sheraton Metechi	Rati Shavgulidze - Analyst	
3/23-27/2003	FAO Workshop: Internet Portal on Food Safety-Communication systems to strengthen food safety and build consumer confidence	Nitra, Slovak Republic	Alexander Didebulidze - Senior Analyst	Zviad Sulaberidze, Oleg Shatberashvili
3/24/2003	Codex Alimentarius education	World Learning	Don Van Atta - Chief of Party	Al Williams - Business Development Advisor - USAID/Caucasus, William Bateson - SAVE, Kevin Carew - World Learning CoP
3/24/2003	Barriers to exports	MAF	Rati Shavgulidze - Analyst	representatives of major private exporters
3/24/2003	MAF Restructuring Commission meeting	MAF		
3/26/2003	Seed law and inspections reorganization coordination	SAVE office	Don Van Atta, Bidzina Korakhashvili, Mamuka	Will Bateson - acting SAVE CoP, Bekaa Tagauri

			Matiashvili	
3/27/2003	Silk House tour and discussion of industry	Silk House, Tbilisi	Giga Kurdovanidze - Outreach Coordinator	Al Williams - Business Development Advisor - USAID/Caucasus, Gerald R. Andersen - Director, Office of Economic Restructuring - USAID/Caucasus, William Bateson - SAVE
3/28/2003	MAF Georgian-EU legislation harmonization commission meeting	MAF	Giorgi Dangadze - Lawyer	Giorgi Tkeshelashvili, DM

## ANNEX 14. ABBREVIATIONS

APU	Agricultural Policy Unit
BASIS	Broadening Access and Strengthening Input Market Systems (USAID indefinite quantity contract)
CASE	Center for Social and Economic Research (Polish NGO)
CERMA	Center for Enterprise Restructuring and Management Assistance
DAI	Development Alternatives, Incorporated
DFID	UK Department for International Development
EBRD	European Bank for Reconstruction and Development
EU	European Union
FAO	United Nations Food and Agriculture Organization
GEPLAC	Georgian-European Policy and Legal Advice Center
GESP	Georgia Enterprise Support Project
GMOs	Genetically-modified organisms
GTZ	Gesellschaft für Technische Zusammenarbeit
HACCP	Hazard Analysis and Critical Control Point [methodology]
MAF	Ministry of Agriculture and Food of Georgia
MSPM	Ministry of State Property Management of Georgia
OECD	Organisation for Economic Co-operation and Development
OIE	Organisation Internationale des Epizooties
PCA	European Union Partnership and Cooperation Agreement
PSQI	Phytosanitary Quarantine Inspection
RAPA	Restructuring Assistance and Policy Advice for the Ministry of Agriculture and Food of Georgia
RARP	Regional Agricultural Revival Project
SAEPR	Polish Foundation for Support to Agriculture APU
SAVE	Support for Added-value Enterprises
SoW	Scope of work
TRIPS	Treaty on Intellectual Property
UPOV	Union for the Protection of Varieties
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
VAT	Value-added Tax
WFP	World Food Programme
WIPO	World Intellectual Property Organization
WTO	World Trade Organization